

**State of Utah**

**2004**

**Olene Walker**

**Housing Loan Fund**

**Allocation Plan**

([Adopted March 2004](#))

**STATE OF UTAH**

# **OLENE WALKER HOUSING LOAN FUND ALLOCATION PLAN**

## **MISSION STATEMENT**

Support quality affordable housing options that meet the needs of Utah's individuals and families, while maximizing all resources.

## **VISION STATEMENT**

We promote all aspects of the development of quality, affordable housing for all people, so they can contribute their personal attributes to community health by:

- Investing in quality projects that are conceptually and financially sound, and maximize the leveraging of resources.
- Working in partnership with community-focused organizations to provide opportunities for people to improve their quality of life.
- Upholding high ethical standards, as defined by the state of Utah, in all of our funding reviews and decisions.
- Educating individuals, families and communities throughout the state about housing resources and information.

## **INTRODUCTION**

The State of Utah Department of Community and Economic Development, Division of Community Development (DCD), is the designated administrator of the Olene Walker Housing Loan Fund (OWHLF) for the State of Utah under Utah Code Annotated Section 9-4-703 through 708, (the Code), and all regulations promulgated thereunder.

The objective of the OWHLF is to develop housing that is affordable to very low, low and moderate-income persons.

To efficiently administer the OWHLF Program and to effectively allocate its limited Funds to those projects, which best serve, the needs of the State of Utah, the OWHLF Board (Board) has developed this allocation plan.

The Board is authorized and required by the Utah Code to establish criteria and procedures for allocating these funds and to incorporate them into an Allocation Plan.

This 2004 Allocation Plan (Plan) will be in effect for the 2004 calendar year.

**Part I: Administration Procedures:** Sets forth the procedures, processes, and other pertinent information regarding the preparation, submission and processing of the following types of Applications:

**Part II: Multi-Family:** Five (5) or more units generating income and all Crown units.

**Part III: Four-plex or less with rental income:** One (1) to Four (4) units.

**Part IV: Single Family:** Owner occupied rehabilitation, replacement, Weatherization, and Rural Development (RD).

**Part V: Non-rental Special Needs Housing:** Shelters, group homes, and transitional housing that do not generate income.

**Part VI: Pre-Development:** Non-recourse loans for project development preceding permanent/construction financing.

**Part VII: Owner Occupied Development, HomeChoice and Down Payment Assistance:** Single family subdivisions and infill, homeowner financial assistance and mortgage assistance for persons with disabilities.

## **PURPOSE AND GOALS**

The OWHLF provides a fair and competitive process to stimulate the creation and preservation of housing by promoting projects that:

- Through cost containment and resource leveraging, efficiently utilize funds.
- Restrict the greatest number of units to the lowest possible rents for the longest period of time.
- Achieve equitable geographic distribution of resources.
- Provide housing for special needs populations including: transitional housing, elderly and frail elderly, and the physically and mentally disabled.
- Strengthen and expand the abilities of local governments, non-profits, Community Housing Development Organizations (CHDO) to design and implement strategies to create affordable housing.
- Promote partnerships among local government, non-profits, CHDO and for-profits.

**State of Utah**

**2004**

**Olene Walker**

**Housing Loan Fund**

**Part I**

**Administrative**

**Procedures**

# ADMINISTRATIVE PROCEDURES

## TABLE OF CONTENTS

Section	
1.	Application Processing - General
2.	Other Conditions and Disclosures
3.	Funding Cycles
4.	Funding Set-Asides: <ul style="list-style-type: none"> <li>A. Community Housing Development Organization (CHDO)</li> <li>B. Rural/Targeted Areas</li> <li>C. Single Needs</li> <li>D. Pre-development</li> <li>E. Single Family</li> <li>F. Grant</li> <li>G. Loan</li> </ul>
5.	Allocation Priorities <ul style="list-style-type: none"> <li>A. Statutory Priorities</li> <li>B. Consolidated Plan Priorities</li> <li>C. OWHLF Board Priorities</li> </ul>
EXHIBIT A	Applications: <ul style="list-style-type: none"> <li>1. Multi-Family five or more units with Tax Credits</li> <li>2. Multi-Family Non-Tax Credit (including Four-plex or less with rental income and non-rental special needs)</li> <li>3. Single Family Rehabilitation, Replacement, Weatherization, and Rural Development (RD)</li> <li>4. Owner Occupied Developments</li> <li>5. Pre-development</li> </ul>
EXHIBIT B	Safe Harbor Schedule
EXHIBIT C	Rural Targeted Areas
EXHIBIT D	Market Study Summary Sheet and Certification of Independence
EXHIBIT E	Capital Needs Requirements
EXHIBIT F	Identity of Interest Certification
EXHIBIT G	Pricing Policy, Loan Products, and Loan Terms
EXHIBIT H	Final Cost Certification Instructions
EXHIBIT I	General Requirements
EXHIBIT J	Project Development Schedule
EXHIBIT K	Scoring Sheet
EXHIBIT L	CHDO Qualification Checklist
EXHIBIT M	Acronyms and Program Glossary
EXHIBIT N	Environmental Requirements (federal HOME funds Only)
EXHIBIT O	Single Family Pricing Policy, Loan Products and, Loan Terms
EXHIBIT P	Weatherization and RD Pricing Policy
EXHIBIT Q	Owner Occupied Development Pricing Policy, Loan Products and, Loan Terms
EXHIBIT R	HomeChoice Pricing Policy, Loan Products and, Loan Terms
EXHIBIT S	Down Payment Assistance Pricing Policy and Loan Products
EXHIBIT T	Success Match Pricing Policy and Loan Products

# **ADMINISTRATIVE PROCEDURES**

## **1. APPLICATION PROCESSING - GENERAL**

Applications will be submitted, inclusive of all EXHIBITS and attachments as defined in the applications, in **duplicate** along with a digital copy in Microsoft Excel 5.0–97 SR-2 format. Incomplete applications will not be processed. Applications, once submitted, are considered final for review.

Applications must be mailed or delivered to:

**State of Utah-DCD**

**Housing**

**324 South State Street, Suite 500**

**Salt Lake City, Utah 84111**

Upon completing the review of all applications, committees of the OWHLF will recommend funding to the Board at the level they determine is necessary for the financial feasibility of the project. The Board will make final allocation decisions.

Every applicant has an obligation to notify the DCD staff (hereafter referred to as staff), of any new or additional federal, state or local subsidies utilized by a project.

The Board reserves the right to reduce the fund allocation if it determines the project to be over-subsidized.

The Board may reject or discount at its sole discretion, an application from participants who have failed to honor contracts.

The Board reserves the right to reject any application or impose additional conditions.

## **2. OTHER CONDITIONS AND DISCLAIMERS:**

The Allocation Plan may be amended from time to time as new guidelines and regulations are issued or as the Board deems necessary to carry out the goals of the OWHLF.

No member, officer, agent or employee of the Board nor any other official of the State of Utah, including the Governor thereof, shall be personally liable concerning any matters arising out of, or in relations to the OWHLF Allocation or administration of this plan.

## **3. FUNDING CYCLES**

Applications will be considered for funding according to the 2004 Reservation Cycles as referenced in the applications.

## **4. FUNDING SET-ASIDES**

The Board has established the following set-asides:

**A. Community Housing Development Organization (CHDO):**

The Board will set-aside at least 15 percent of the HOME funding for qualified CHDO's.

A project sponsor that applies for funds under CHDO status must be an official CHDO. Please refer to the CHDO Qualification Checklist **EXHIBIT L**.

**B. Rural /Targeted Areas Set-Asides:**

For the development of affordable rental housing in rural areas of Utah, the Board will set aside at least 20 percent of the overall funding available for projects located in those "Designated Areas" (**EXHIBIT C**) of the State adapted from the U.S. Department of Agriculture Rural Development Service (RD) and the State of Utah Consolidated Plan. Unallocated funds shall revert to the general pool.

**C. Special Needs Set-Asides:**

At least 15 percent of the overall funds will be set-aside for special needs housing defined as: Elderly, Frail Elderly, Mentally and Physically Disabled, Homeless, Persons with Aids, and Transitional Housing.

**D. Pre-development Set-Asides:**

A maximum of \$200,000.00 will be set-aside annually, for costs incurred in the pre-development phase of projects. Single projects are limited to \$20,000.

**E. Single Family Set-Asides:**

The Board will set aside funds to be used for those purposes as described below as necessary to meet the Consolidated Plan.

<b>Sub set-asides:</b>		<u><b>Budget</b></u>
1. Single Family Rehabilitation, Acquisition Replacement and Refinance		\$1,180,000.00
2. Rural County Down Payment/Closing Assistance	\$ 250,000.00	
3. HomeChoice (quarterly allocation)	\$ 200,000.00	
Annual Reserve Amount	20,000.00	
4. Weatherization/RD	\$ 50,000.00	
5. Success Match	\$ 50,000.00	

**F. Grant Set-Asides:**

A set-aside of 5 percent of the overall funds shall be made available as grants to qualified projects. At least 90 percent of the funds used as grants shall benefit persons or families whose income is at or below 50 percent of the median family income.

**G. Capacity Building Collaborative Set-Aside:**

The OWHLF Board hereby creates a set-aside of funds for the purpose of continuing the collaboration of agencies and funding sources with the intent of assisting CHDO's and other non-profit housing authorities and providers to increase their capacity to produce multi-family rental properties in both urban and rural locations throughout the State of Utah. The assistance provided will include both financial and technical assistance. For the 2004 program year the set-aside to be funded out of the resources of the OWHLF is \$220,000.00.

**5. ALLOCATION PRIORITIES**

**A. Statutory Priorities**

The State of Utah Code annotated Section 9-4-703 through 708, sets forth selection criteria to be used to determine housing priorities that demonstrate:

- A high degree of leverage with other sources of financing;
- High recipient contributions to total project costs, including allied contributions from other sources such as professional, craft and trade services, and lender interest rate subsidies;
- High local government project contributions in the form of infrastructure improvements, or other assistance;
- Projects that encourage ownership, management, and other project-related responsibility opportunities;
- Projects that demonstrate a strong probability of serving the original target group or income level for a period of at least 15 years;
- Projects where the applicant has demonstrated the ability, stability, and resources to complete the project;
- Projects that appear to serve the greatest need;
- Projects that provide housing for persons and families with the lowest income;
- Projects that promote economic development benefits;
- Projects that allow integration into a local government housing plan; and
- Projects that would mitigate or correct existing health, safety, or welfare problems.

**B. The Department of Housing and Urban Development (HUD) mandated 2000 year Consolidated Plan created the following Priorities**

Through direct inquiry of housing service providers, state and local consolidated plans, and input from the public, the following housing needs were identified:

- Affordable housing for very low, low and moderate income households, particularly large unit 3-4 bedroom rental projects;
- Preservation and improvement of existing affordable housing units through rehabilitation;
- Increase homeownership opportunities for low income persons through down payment assistance;



- Affordable housing for low income Older Americans (as defined by federal and state fair housing law);
- Transitional housing for very low income homeless and near homeless individuals and families;
- Housing accessible to persons with physical disabilities;
- Affordable housing for low-income households with members who have mental disabilities;
- Capacity building of existing housing providers to better serve their constituents.

### **C. OWHLF Board Priorities**

In conjunction with the housing needs identified above, the Board has established the following priorities:

- Housing that remains affordable for the greatest number of years;
- Creating housing affordable to households that are low and very-low income;
- Rehabilitating existing housing stock for tenants at the same or less than current rents;
- Increasing housing stock in rural and under-served communities;
- Providing affordable housing to special needs populations including: homeless, elderly and frail elderly, mentally and physically disabled, and large families;
- Projects that give the residents a home ownership opportunity at some time in the future;
- Projects that incorporate unrestricted units and rent restricted units;
- Leveraging of OWHLF with other public and private financial resources.
- Projects that create “Mixed income” multi-family rental housing projects that combine subsidized, affordable rental units with market rate units when it is determined that the assistance is clearly creating affordable rents.

**INSERT ALL APPLICATIONS HERE**

## EXHIBIT B

### SAFE HARBOR SCHEDULE

2004 Applications will be underwritten with the following Safe Harbors:

#### Debt Service Coverage Ratio<sup>1</sup>:

Hard debt:	minimum 1.10:1	maximum 1.25:1
------------	----------------	----------------

\*Debt that is contractually payable from available cash flow will not be included in the DCR ratio calculation. The maximum DCR can be higher in cases where the debt structure and low income targeting produce a distorted ratio. In any case, NOI cannot exceed \$750 per unit per annum in 100 percent LIHTC projects. 1

A minimum annual cash flow annually:

- 25 or fewer units \$350 per unit
- Over 25 units \$300 per unit

#### Capital Replacement Reserves<sup>1</sup>:

#### Per unit per year

New construction or substantial rehabilitation:*	minimum \$200, maximum \$500
Acquisition/rehabilitation:	minimum \$300, maximum \$350

\*The staff, at its sole discretion, shall determine if a project qualifies as "substantial rehabilitation". Generally, substantial rehabilitation requires the replacement of two or more major systems and their components including roof, fenestration, electrical, plumbing, HVAC, etc.

#### Vacancy<sup>1</sup>:

The greater of 7 percent or the market study on all except preservation and special needs projects.

Preservation and special needs projects may be 5 percent or greater.

Projects greater than 75 units	minimum 7%	maximum 8%
Projects of greater than 25 units:	minimum 7%	maximum 10%
Projects of 25 or less units:	minimum 7%	maximum 12%

#### Operating Expenses:\*

#### Low Safe Harbor

#### High Safe Harbor

Urban	\$2,400	\$2,900
Rural	\$2,450	\$2,975
Small (25 units)	\$2,500	\$3,080
Elderly	\$2,400	\$2,800
Special Needs	\$2,700	\$3,100

- Excludes capital replacement reserves and taxes. Assumes tenants pays electrical and gas utilities and owner pays typical municipal fees. Deviations from the safe harbor must be supported in writing by the investor and lender.
- The application will be updated to calculate a blended minimum based on the unit mix.

## EXHIBIT B (Continued)

<sup>1</sup>"Soft" debt is defined as a cash flow loan as set forth in the debt instrument. The DCR, vacancy, minimum cash flow per unit and capital replacement reserve minimums are threshold items, but exceptions are made for RD 515 and Section 8 HAP contracts that have the potential for annual contract adjustments.

Applications below the minimums for these criteria will not proceed beyond the threshold review. These categories are threshold-underwriting criteria.

### **Financing Terms\*:**

Publicly funded debt: Prevailing terms of funding agency

Privately funded debt: All new loans shall amortize over no less than 25 years

\*Projects that propose fiscal scenarios outside the staff's established Safe Harbors must provide reasonable explanation for such proposal and evidence of acceptance of such proposal by the project's lender and investor. The staff reserves the right, at its sole discretion, to reject the proposed scenario and underwrite the project using the established Safe Harbors.

**STATE OF UTAH  
OLENE WALKER HOUSING LOAN FUND  
RURAL TARGETED AREAS**

Bear River Region

Lewiston, Garland, Richmond, Randolph, Woodruff

Uintah Basin Region

Vernal, Duchesne, Roosevelt, Myton, Ballard, Manila

Southeastern Region

Blanding, Price, Helper, Green River, Moab, Clawson, Ferron, Emery Town, Elmo

Six-County Region

Manti, Ephraim, Mt. Pleasant, Spring City, Moroni, Marysvale, Junction, Kingston, Loa, Torry, Bicknell, Hanksville

Mountainlands

Santaquin, Heber, Coalville, Kamas, Park City, Wallsberg, Charleston

Wasatch Front Region

Morgan, Tooele, Grantsville, Wendover

Five-County Region

LaVerkin, Ivins, Tropic, Escalante, Panquitch, Hatch, Cannonville

## MARKET STUDY SUMMARY SHEET AND CERTIFICATION OF INDEPENDENCE

Project: \_\_\_\_\_

Developer/Sponsor: \_\_\_\_\_

Please indicate the correlating page, which addresses the following questions:

Page #

- Assess whether there is a sufficient pool of prospective qualified tenants for the income targeted and/or any special needs populations, each income level (5 percent over and 10 percent under the committed AMI levels). Include capture rate analysis. \_\_\_\_\_
- Are public transportation, employment centers, community centers, etc. readily available to the type of tenant population expected to occupy the project? \_\_\_\_\_
- Is the project configuration (unit size, bedrooms, amenities) consistent with market's expectations and need? \_\_\_\_\_
- Are rents sufficiently lower than the market to facilitate project rent-up considering the level of amenities in the proposed project? \_\_\_\_\_
- What are current market needs in the community (vacancy, etc.) and how will this project impact them? Are there underserved markets? \_\_\_\_\_
- Is over building a risk in the current or foreseeable market? \_\_\_\_\_
- Assess in detail the probable impact the subject project will have on existing tax credit projects in the market area. Similar rent tiers should be evaluated. \_\_\_\_\_
- Evaluate and explain the effect the project will have on local and community competitors? \_\_\_\_\_
- Does the proposed operating budget and vacancy rate adequately reflect anticipated market conditions. \_\_\_\_\_
- Evaluate and explain the effect the project will have on local and community competitors? \_\_\_\_\_
- Does the proposed operating budget and vacancy rate adequately reflect anticipated market conditions. \_\_\_\_\_
- Address other pertinent issues and conditions. \_\_\_\_\_
- The analyst must do primary research and site visitation to analyze demographic data, new renovations & construction, etc. \_\_\_\_\_
- A precise delineation of market area is required. \_\_\_\_\_
- Special analysis is required to determine the retention rate of existing tenants for rehabilitation projects. \_\_\_\_\_
- Market studies must be less than 90 days old at the time of the application's submission to DCD. \_\_\_\_\_
- Give conclusions and recommendations for making the project more marketable and attractive. "Tell it like it is." \_\_\_\_\_
- How many studies has the analyst done in this market? Over what period of time? \_\_\_\_\_
- The Analyst qualifications, education and experience. \_\_\_\_\_
- Local Community Affordable Housing Plan summary, if available. \_\_\_\_\_

The undersigned hereby certifies that the market study was performed independently and without influence by the applicant or any relation thereof.

Date: \_\_\_\_\_

Company: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **EXHIBIT D (Continued)**

For 2004, all analysts must submit the following information. Please include all items on the checklist:

1. Contractor name, address, telephone, fax, primary contact and email.
2. Description of services provided and percent of time in each of the service areas.
3. Statement of experience. Include specifics for all project experience, including name of project, location, number of units, type of units (family, elderly, other special needs), financing subsidies in project (rental assistance, tax credits, other public agency financing), and date of completion.
4. Copy of license as an appraiser in the State of Utah. (If applicable)
5. List of counties where you would accept assignments.
6. Approximate fee range you would charge to complete work. If your fee will change based on location or size of project, this should be clearly indicated in the explanation.
7. Time Requirement. How long will it take you to complete your work?
8. Names and experience of individuals who will be conducting site and community inspection/study of projects.
9. List of references with addresses and telephone numbers from financial institutions, government agencies and developers.
10. Market Study

## State of Utah

### Olene Walker Housing Loan Fund

### Capital Needs Requirements

OWHLF applicants for acquisition/rehabilitation must submit as a threshold item a Physical Condition Assessment (PCA) or recent Capital Needs Assessment (CNA) and replacement reserves analysis. The PCA/CNA must have been performed within six months of the submission date of this application.

The PCS/CNA shall include the following four (4) components:

1. **Critical Repair Items:** All health and safety deficiencies or violations of Section 8 housing quality standards, including any/all Federal Lead Based Paint and, asbestos requirements and FHA's regulatory agreement standards that require immediate remediation.
2. **Twelve-Month Physical Needs.** An estimate of repairs, replacements and significant deferred and other maintenance items that will need to be addressed within 12 months. Includes the minimum market amenities needed to restore the property to the affordable housing standard adequate for the rental market for which the project is approved.
3. **Long Term Physical Needs.** An estimate of the repairs and replacement items beyond the first year that are required to maintain the project's physical integrity over the next 20 years, such as major structural systems that will need to be replaced during this period.
4. **Analysis of Reserves for Replacement.** An estimate of the initial and monthly deposit to the Reserves for Replacement Account needed to fund the project's long term physical needs (20 years), accounting for inflation, the existing Reserves for Replacement balance (if any), and the Expected Useful Life of the major building systems. This analysis should include the cost of the twelve-month physical needs, but not any work items that would be treated as operating expenses.

#### Statement of Work

1. The CNA shall be written with detailed narrative and accompanying color photographs and shall describe the property's exterior and interior physical condition, including architectural and structural components and mechanical systems.
2. The report shall:
  - a. Identify in detail any repair items that represent an immediate threat to health and safety. Identify all other significant defects, deficiencies, items of deferred maintenance, and material building code violations, (individual and collectively, physical deficiencies) that would limit the expected useful life of major components or systems.
  - b. Provide estimated costs to remedy the detailed physical deficiencies. Identify immediate needs and estimate the needs for the next 20 years, accounting for inflation, the existing Reserves for Replacement balance (if any), and the **Expected Useful Life** of the major building systems. This analysis should include the cost of the twelve-month capital improvement needs, excluding operating expenses.



## EXHIBIT E (Continued)

- c. Provide Replacement Reserve Schedule including an estimate of the initial and annual deposits, (projected to increase at the operating cost adjustment factor), based on the useful life of the major building systems. The term of the analysis should correspond to the mortgage period plus two years.
3. The report shall identify physical deficiencies as a result of:
  - a. A visual survey.
  - b. A review of any pertinent documentation.
  - c. Interviews with the property owner, management staff, tenants, interested community groups and government officials.
4. The report shall provide a description of directly observed potential on-site environmental hazards.
5. The report shall assess the twelve-month physical needs. The standard is a non-luxury standard adequate for the rental market. The physical needs identified should be those necessary for the project to retain its market position as an affordable project in a decent, safe, and sanitary condition (recognizing any evolution of standards appropriate for such a project). The twelve-month physical needs should include those improvements the project requires to compete in the market. Where a range of options exists, the most effective options for rehabilitation should be chosen, when both capital and operating costs are taken into consideration.

The report shall determine the cost-benefit of each significant work item in the rehabilitation plan (i.e. greater than \$5,000 per work item) that represents an improvement to the product, an upgrade to current elements or that could be considered to reduce the operating expenses. For example, individual utility metering, extra insulation, thermo pane windows, water savers on showers and toilets, automatic setback thermostats, and durable siding. Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of the building systems as needed.
6. An independent consultant, an architect, general contractor or engineer, any of who must be licensed in the state of Utah, shall prepare the report.
7. The report shall explain how the project will meet the requirements for accessibility and visibility to persons with disabilities, to the extent applicable.
8. The CNA report or PCA report, in addition to the four major aforementioned components, at a minimum shall include the following sub-components.
  - a. Project Summary Sheet.
  - b. Executive Summary (discussion of the physical condition of the property and any major repair/rehab items observed).

## EXHIBIT E (Continued)

- c. An index.
  - d. Introduction of the report.
  - e. Building evaluation (property identification- survey, legal description of property).
  - f. Site improvement evaluation/analysis (utilities, parking, paving, sidewalks, sewer and drainage, landscaping, trash enclosures/compactors and general site improvements).
  - g. Building Architectural and Structural Systems Evaluation (foundation superstructure and floors, roof structures and roofing, exterior walls and stairs, siding, downspouts, and common areas energy efficiency, tenant amenities, playgrounds and playground equipment).
  - h. Building Mechanical and Electrical Systems Evaluation (building HVAC, plumbing, electrical, elevators, fire protection/security systems).
  - i. Interior Dwelling Units Evaluation (interior finishes, walls, ceilings, paint, kitchen and appliances, carpet, vinyl, interior doors, shelves, cabinets, vanities, closets, interior HVAC, plumbing, bathroom fixtures, electrical fire protection systems, security systems).
  - j. Evaluation/Analysis of Other Structures.
  - k. Environmental Evaluation.
  - l. Estimated Useful Life Analysis (computation of Repairs and Replacement Reserves).
  - m. The basis for identifying any item for repair or replacement.
  - n. Unit cost breakdown shall be provided for multiple items (i.e. stoves, refrigerators, cabinets, bathroom fixtures, etc).
  - o. Acknowledgements (who prepared report, when report was prepared, who received report, and when report was reviewed).
  - p. Appendices (photographs, site plans, maps title report etc.).
  - q. Identification of any observed hazards, flammable or explosive facilities/operations in the immediate area of the project; and State whether the project is located in a Flood Plain.
9. The firm or person who prepared or supervised the preparation of the report must sign the report.
10. Submit one (1) original and three (3) copies of the report to DCD.
11. The architectural report must include the following:
- a. Total floor area in square feet for the entire development, units and common area.
  - b. Units will provide the furnishings as stated in the application (range, hood, refrigerator, exhaust fans, grab bars, etc.).
  - c. A final report itemizing the extent of renovation and replacement and summary comparing the CNA report submitted to DCD and final results.

**OLENE WALKER HOUSING LOAN FUND**  
**Project Owner**  
**Identity of Interest Certification**

Project Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

The Board requires a full disclosure of all related party transactions affecting the payment of fees to the developer or contractor. The staff must be notified of any changes in such relationships during the development process.

The undersigned represents that all fees and profit from the development of the project have been disclosed and that there are no undisclosed related party transactions involving the project owner/applicant, developer, contractor, officers, consultants, land-owners, intermediaries, Realtors, etc.

Project Owner / Applicant Name

\_\_\_\_\_  
Name

Title:

\_\_\_\_\_  
Date

**OLENE WALKER HOUSING LOAN FUND****Pricing Policy, Loan Products and, Loan Terms****PRICING POLICY**

<b>Interest Rate:</b>	<b><u>Average %AMI Served:</u></b>	<b><u>Interest Rate:</u></b>
	46 – 50	3.0%
	41 – 45	2.5%
	36 – 40	2.0%
	35 and less	TBD

(Rate schedule is subject to change with market conditions. See also Loan Products Section for additional interest provisions.)

**Late Fee:** 5 percent of amount due.

**Default Rate:** The greatest of 10 percent per annum or the default rate of priority lien in effect at time of default.

**Fees:** None.

**OTHER GUIDELINES**

**Eligible Borrower:** OWHLF will evaluate applicant's, or its member's, financial and management strength and property development/management experience. Borrower and all entities associated therewith (including without limitation general partner/manager, limited partner/member, developer, and sponsor) must be current on all outstanding OWHLF or DCD obligations at time of application, reservation and funding of loans.

**Collateral Evaluation:** All tax credit projects and new construction non-tax credit projects to include review and approval of market study. In-house market review for non-tax credit acquisitions. All projects are subject to receipt of acceptable appraisal, budget projections, availability of support services, jurisdictional approvals, community support, and acceptable degree of affordability.

**Risk Management:** Loans shall be closed and funded through escrow at or subsequent to close of building acquisition/refinance or construction loan. Funds advanced during construction shall be advanced against draws following satisfactory evaluation of work and contract compliance.

**Appraisal:** Current appraisal approved by priority lien holder.

## EXHIBIT G (Continued)

<b>Environmental:</b>	Federal HOME funds are subject to environmental requirements beyond Phase I. For the complete environmental checklist refer to section I, Administrative Services <b>EXHIBIT N</b> . The environmental review is required to be complete and signed off on prior to closing of the loan:
<b>Property Management:</b>	Experienced management agent, management plan, and project manager must be acceptable to OWHLF.
<b>Other Requirements:</b>	Hazard insurance with extended coverage, liability insurance and rent loss is required on all properties.

### **LOAN PRODUCTS**

#### **Amortizing Loan:**

<b>Term/Amortization:</b>	Lesser of 40 years or 5 years less than the remaining useful life of collateral as determined by appraisal review on new construction, and the evaluation of staff for acquisition and/or rehabilitation.
<b>Repayment:</b>	Mandatory monthly payments of principal and interest are required after the project is placed-in-service.
<b>Interest rate:</b>	See Pricing Policy.

#### **Deferred Loan:**

<b>Term:</b>	40 years or 5 years less than remaining useful life of collateral.
<b>Repayment:</b>	Principal and interest deferred for first 15 years.  Mandatory monthly payments of principal and interest are required after the 15-year anniversary, sufficient to fully amortize the loan by maturity date (provided underwriting demonstrates ability to make payment). Deferment and/or extensions may be granted at the discretion of the Board.
<b>Interest rate:</b>	See Pricing Policy.

## EXHIBIT G (Continued)

### C. HUD Section 8 and USDA RD 515 Financed Projects:

<b>Term/amortization:</b>	To match HUD/RD terms, but not to exceed 50 years.
<b>Repayment:</b>	<b>With Project Based Subsidy:</b> mandatory monthly payments after Placed-in-Service of principal and interest.  <b>Following Expiration of Subsidy*:</b> annual payment of 50 percent of Cash Flow in excess of \$500 per unit (adjusted annually to CPI) not to exceed 5 percent.
<b>Interest rate:</b>	See Pricing Policy

\*Termination of subsidy at no fault of borrower.

### LOAN TERMS

<b>Loan Types:</b>	Permanent loans for newly constructed projects, refinancing for the purpose of preserving affordability, or acquisition/rehab projects Loans shall be of a minimum amount necessary to achieve affordability targets when combined with available private resources. See also LOAN PRODUCTS.
<b>Project Types:</b>	Rental, mixed use, supportive housing and/or special needs housing serving residents with average project restricted rents at or below 50 percent of the area median income as determined by HUD.
<b>Security:</b>	Second position deed of trust with assignment of rents subordinate to private institutional lender. (Will subordinate to FHA insured debt with surrender of foreclosure rights, however, without waiver of mandatory payment requirements.)
<b>Term:</b>	See specific loan product terms
<b>Debt Coverage:</b>	Minimum of 1.10:1, maximum of 1.25:1.
<b>Pre-payment:</b>	No pre-payment penalty. Pre-payment does not disallow the criteria outlined in the loan documents guaranteeing the continued use and period of affordability as outlined in those documents.
<b>Loan Amount:</b>	<b>Minimum:</b> none <b>Maximum:</b> lesser of \$1,000,000 or 20 percent of current year funds.
<b>Match Funds:</b>	<b>With Other PJ Funds:</b> Projects located in independent participating jurisdictions (as established by HUD) are required to secure match funds of not less than .50:1 with OWHLF.

## EXHIBIT G (Continued)

**Deferred:** Projects seeking deferred loans shall secure match funds of equal or better terms of not less than .50:1 with OWHLF. Sources include, without limitation, proceeds from the sale of state of Utah Low Income Housing, Historical or Energy Tax Credits, Federal Home Loan Bank AHP grants, private foundation grants, fee waivers, and local government grants. Sources exclude Federal Tax Credits and federal or state grant funds administered by DCED or OWHLF.

**Pre-development:** Non-recourse loans for project development preceding permanent financing.

### **OTHER:**

## FINAL COST CERTIFICATION INSTRUCTIONS

The following documents on disk need to be executed and returned to the staff:

1. Owner's Project Certification Statement
2. Owner's Tax Credit Detailed Cost Breakdown
3. Owner's Certification of Costs Report for total project
4. Project Source of Funds Statement
5. CPA Certification of Costs Report for total project costs
6. CPA Certification of Costs Report Building by Building
7. Final Accountant's Cost Certification
8. Low-Income Housing Credit Commitment Agreement and Declaration of Restrictive Covenants (Extended Use Agreement)
9. General Public Use Certification
10. Fair Housing Certification
11. Subsidy Certification
12. Lender and Owner Certification
13. Owner Quality Certification
14. Non-Profit Certification (as applicable)
15. Annual Expense Schedule
16. Owner Building Unit Breakout
19. Architect's Fair Housing Certification
20. Owner's Schedules signed from enclosed diskette **and return the completed excel file on diskette to the staff**

Also, please enclose the following information with the above-completed documentation:

1. Copy of Occupancy Certification for each building
2. Copy of rent roll containing number of occupants per unit and income, Ethnicity, type of head of household, bedroom size
3. Utility Allowance Documentation
4. Tax Credit Purchase Agreement, Syndication agreement
5. Loan Commitment(s)
6. Copy of appraisal
7. Copy of the recorded deed in the name of the owner
8. The EIN (Employer Identification Number) for the owner



## **STATE OF UTAH OLENE WALKER HOUSING LOAN FUND**

### **GENERAL REQUIREMENTS**

To assist applicants in properly categorizing costs, and thereby avoiding re-categorizing by the staff when determining compliance with Contractor Fee and Developer Fee and General Requirement Limitations, the staff shall allow the following items to be included under General Requirements for the purpose of determining eligible basis and fee limits.

- Supervision and job site engineering.
- Job office expenses including clerical wages, whether on-site or offsite, if for the project.
- On-site temporary buildings, tool sheds, shops and toilets.
- Temporary heat, water, light and power for construction.
- Temporary walkways, fences, roads, siding and docking facilities, sidewalk and street rental.
- Construction equipment rental not in trade item costs.
- Clean up and disposal of construction debris.
- Medical and first aid supplies and temporary facilities.
- Watchman's wages, security cost, and theft and vandalism insurance.

Items not listed above, including, but not limited to, salaries of owners, partners or officers of the general contracting firm shall not be allowed under General Requirements.

**STATE OF UTAH  
OLENE WALKER HOUSING LOAN FUND  
PROJECT DEVELOPMENT SCHEDULE**

<b><u>Activity</u></b>	<b><u>Scheduled Date</u></b>	<b><u>Completed Date</u></b>
<b>A. Site</b>		
Option/Contract		
Site Analysis		
Site Acquisition		
Zoning FINAL Approval		
<b>B. Financing</b>		
<b>1. Construction Loan</b>		
Application		
Conditional Commitment		
Firm Commitment		
<b>2. Permanent Loan</b>		
Application		
Conditional Commitment		
Firm Commitment		
<b>3. Other Sources of Funds</b>		
Type & Source		
Application		
Award		
Type & Source		
Application		
Award		
Type & Source		
Application		
Award		
<b>C. Plans and Specs (Final)</b>		
<b>D. Closing/Site Transfer</b>		
<b>E. Construction Begins</b>		
<b>F. Occupancy Certificate</b>		
<b>G. Lease-Up</b>		
<b>H. Placed in Service Date</b>		

# Multi-Family Tax Credit Projects SCORING SHEET

This form is automatically completed from application information

**Project Name:**

## SUBSIDY LIMITS

				Total # of units by bedroom size	25% 30- 34.99%	20% 35- 39.99%	15% 40- 44.99%	10% 45- 50.00%	0% 51%>
				SRO					
				1					
				2					
				3					
	221D3 limits			4					
	Non- Elevator	Elevator	130 bump-up area x 85% non-elevator	130 bump-up area x 85% elevator					
SRO	\$42,980	\$45,232	\$36,533	\$38,447					
1	\$49,557	\$51,849	\$42,123	\$44,072					
2	\$59,766	\$63,049	\$50,801	\$53,592					
3	\$76,501	\$81,563	\$65,026	\$69,329					
4	\$85,225	\$89,531	\$72,441	\$76,101					
				Maximum Subsidy					
				Average \$ per unit					

- Does the project have an overall AMI targeting 30-34.99% AMI (17pts), 35-39.99% AMI (15pts), 40-44.99% (12pts), 45-50% AMI (7pt), >50% (0pts) \_\_\_\_\_
  - Are 10% of the total units: 4 bedroom units (5pts), 3 bedroom units (4pts), 2 bedroom units (3pts), 1 bedroom units (2pt), SRO units (2pt) (maximum of 5 pts possible) \_\_\_\_\_
  - Leveraging: \$ \_\_\_\_\_ divided by \$ \_\_\_\_\_ = \_\_\_\_\_  
Total eligible cost OWHLF loan request  
>10 = (20pts), <10 = (10pts) \_\_\_\_\_
  - Is the project located in a county with a population <15,000 (10 pts), 15,001 – 26,000 (7 pts), 26,001 – 75,000 (5 pts), 75,000 – 100,000 (2 pts) \_\_\_\_\_
  - Units set aside for special needs population (5 pts per unit up to 3 units) \_\_\_\_\_
  - Is this new construction on an infill site? (not requiring extensions of public roads, services, or utilities) (5 pts) \_\_\_\_\_
  - Is this rehabilitation or preservation of an existing structure for? \_\_\_\_\_  
Substantial rehabilitation (10 pts), and/or  
Preservation of Section 8 or RD subsidized (10pts) \_\_\_\_\_
  - Are at least 25% of the units market rate? (3pts) \_\_\_\_\_
  - Debt Coverage Ratio (DCR) on total debt: >1.15 (5pts) \_\_\_\_\_
- TOTAL POINTS:(100 Points Possible) \_\_\_\_\_

**COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)  
QUALIFICATION CHECKLIST**

Please answer all questions and provide supporting documentation.

**LEGAL STATUS**

The nonprofit organization is organized under state or local laws, as evidenced by:

\_\_\_\_\_ a Charter, **OR** \_\_\_\_\_ Articles of Incorporation

No part of its net earnings inure to the benefit of any member, founder, contributor, or individual as evidenced by:

\_\_\_\_\_ a Charter, **OR** \_\_\_\_\_ Articles of Incorporation

Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 502(c) of the Internal Revenue code of 1986, as evidenced by:

\_\_\_\_\_ a 501 (c) certification from the IRS \_\_\_\_\_ other:

Has among its purposes the provision of decent housing that is affordable to low and moderate-income people, as evidenced by a statement in the organization's:

\_\_\_\_\_ Charter, **OR** \_\_\_\_\_ Articles of Incorporation

\_\_\_\_\_ By-laws, **OR** \_\_\_\_\_ Resolutions

**CAPACITY:**

Conforms to the financial accountability standards of Attachment F of OMB Circular A-110, "Standards for Financial Management System", as evidenced by:

\_\_\_\_\_ A notarized statement by the president, or chief financial officer of the organization;

## EXHIBIT L (Continued)

Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

\_\_\_\_\_ Resumes and/or statements that describe the experience of accomplished key staff members who have successfully completed projects similar to those to be assisted with HOME funds, OR

\_\_\_\_\_ Contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff members.

Has a history of serving the community where housing to be assisted with HOME funds will be used, as evidenced by:

\_\_\_\_\_ A statement that documents at least one year of experience in serving the community, OR

\_\_\_\_\_ For newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.

Please provide a statement from the CHDO, or its parent organization that shows one year of service to the community from the date the State of Utah provides HOME funds to said organization. The statement must include:

A description of the organizations history (or its parent organizations history) such as:

- (1) Developing new housing, rehabilitating existing stock or managing housing stock and;
- (2) Developing delivery mechanisms for essential services that have lasting benefits for the community, such as housing counseling services, or childcare facilities.

The statement must be signed by the president of the organization or by a HUD approved representative.

## **ORGANIZATIONAL STRUCTURE**

Maintains at least one-third of its governing boards membership for residents of low-income neighborhoods, other low income community<sup>1</sup> residents, or elected representatives of low-income neighborhood organizations as evidenced by the organization's:

\_\_\_\_\_ By-Laws,

## EXHIBIT L (Continued)

---

<sup>1</sup> Under the HOME program, for urban areas, the term, and "community" is defined as one or several neighborhoods, a city, and county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county or multi-county area (but not the whole state), provided that the governing board contains low-income residents from each of the multi-county areas.

\_\_\_\_\_ Charter, OR  
\_\_\_\_\_ Articles of Incorporation

Provides a formal process for low-income program beneficiaries to advise the organization in all of its decisions regarding the design, site, development, and management of all affordable housing projects, as evidenced by:

\_\_\_\_\_ The organization's by-laws, resolutions, OR  
\_\_\_\_\_ A written statement of operating procedures approved by the governing body.

A CHDO can be chartered by a state or local government, however, the state or local government may not appoint more than one-third of the membership of the organization's governing body and no more than one-third of the governing board members are public officials, as evidenced by the organization's:

\_\_\_\_\_ By-Laws,  
\_\_\_\_\_ Charter, OR  
\_\_\_\_\_ Articles of Incorporation

If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's:

\_\_\_\_\_ By-Laws,  
\_\_\_\_\_ Charter, OR  
\_\_\_\_\_ Articles of Incorporation

#### **RELATIONSHIP WITH FOR-PROFIT ENTITIES**

The CHDO is not controlled, nor receives direction from individuals, or entities seeking profit from the organization, as evidenced by:

\_\_\_\_\_ The organization's By-Laws, OR  
\_\_\_\_\_ A Memorandum of Understanding.

A CHDO may be sponsored or created by a for-profit entity, however:  
The for-profit entity's primary purpose does not include the development, or management of housing, as evidenced in its By-laws:

\_\_\_\_\_ Yes \_\_\_\_\_ No

AND;

The CHDO is free to contract for goods and services from the vendor(s) of its own choosing, as evidenced in the CHDO's:

\_\_\_\_\_ By-Laws,  
\_\_\_\_\_ Charter, OR  
\_\_\_\_\_ Articles of Incorporation

**EXHIBIT L (Continued)**

For purposes of Internal Revenue Code Section 42, \_\_\_\_\_  
(The "Corporation") hereby represents and certifies to the Utah Housing Finance staff the following;

The Corporation owns an equity interest in \_\_\_\_\_ (the "Owner"), which owns and operates the \_\_\_\_\_, a Tax Credit project (the "Project"), located in \_\_\_\_\_, Utah.

The Corporation is a "Qualified Nonprofit Organization" within the meaning of §42(h)(5)(C) of the Code with respect to the Project such that the Corporation is:

- An organization described in §501(c)(3) or (4) of the Code and is exempt from tax under §501(a) of the Code;
- Not affiliated with or controlled by a for-profit organization; and
- One of the exempt purposes of the Corporation includes the fostering of low-income housing.

The Corporation materially participates (within the meaning of §469 (h) of the Code) in the development and operation of the Project throughout the compliance period with respect to the Project. For purposes of this material participation representation, the Corporation represents and certifies that it has satisfied one of the following material participation standards provided for under Section 1.469-5T of the Income Tax Regulations (check applicable line):

- \_\_\_\_\_ The Corporation participated in the activity of the Project for more than 500 hours during the taxable year.
- \_\_\_\_\_ The Corporation participation in the activity of the Project for the taxable year constitutes substantially all of the participation in such activity of all individuals (including individuals who are not owners of interests in the Project) for such year.
- \_\_\_\_\_ The Corporation participated in the activity of the Project for more than 100 hours during the taxable year, and the Corporation's participation in the activity of the Project for the taxable year is not less than the participation in the activity of any individual (including individuals who are not owners of interest in the Project) for such year.
- \_\_\_\_\_ The activity of the Project is a significant participation activity (within the meaning of Section 1.469-5T (c)) for the taxable year, and the Corporation's aggregate participation in all significant participation activities during such year exceed 500 hours.

**EXHIBIT L (Continued)**

\_\_\_\_\_ The Corporation materially participated in the activity of the Project (determined without regard to this paragraph) for any five taxable years (whether or not consecutive) during the ten taxable years that immediately precede the taxable year.

\_\_\_\_\_ Other:

Explain:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Under penalties of perjury, the undersigned hereby certifies that the foregoing information is true and correct as of the date hereof.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

CORPORATION

\_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

**EXHIBIT M**



## ACRONYMS AND PROGRAM GLOSSARY:

ADA	American Disabilities Act, and its associated acts of Congress. Specific architectural regulations have been developed to house persons that are dependent on wheelchairs for mobility and other physical impairments.
AMI	Area Median Income. This statistic of county income is estimated annually by the Department of Housing and Urban Development. It serves as a basis for determining the incomes and rents to be used in the program.
CDBG	Community Development Block Grant. This is a program administered by the Department of Community and Economic Development in the state of Utah. It is a federal program designed to assist local municipalities in developing infrastructure such as water treatment plants, bridges, roads, etc. Occasionally it is used in a tax credit project to obtain land or to develop sewer, water and other infrastructure on or to the site.
CHDO	Community Housing Development Organization. A nonprofit housing development corporation whose mission and organizational structures are defined by HUD. This type of organization can obtain various funds on a priority basis from HUD and other sources, because of its' mission.
DCD	Division of Community Development. Administrators of various housing resources through the OWHLF.
DCED	Department of Community and Economic Development: The department that includes the Division of Community Development and the Division of Business and Economic Development.
DCR	Debt Coverage Ratio. This is a commonly used measure of project feasibility. It is the annual Net Operating Income before taxes divided by the annual debt service.
HOME	HOME Funds. The "HOME investment partnership" is a federal housing block grant program administered by the Department of Housing and Urban Development and granted to states. It provides loans at below market interest rates to assist affordable housing projects in achieving below market rents. The Department of Community and Economic Development as well as various participating jurisdictions administer this program throughout the State of Utah.
HOPE	This is a housing loan and grant developed by the Department of Housing and Urban Development to assist the development of housing. It is also used in home ownership programs for down payment assistance.
HOPWA	Housing of Persons With AIDS. The program is used to develop housing and assist in the operation of the project by providing rent subsidies for persons with AIDS or HIV.
HUD	Department of Housing and Urban Development. A federal department responsible for housing. They are the regulatory body over Public Housing Authorities and provide funds for various housing priorities.
IRC	Internal Revenue Code of 1986, as amended. The document setting forth all tax laws for the United States of America. IRC §42 regulations come from this document and various other legislative sources.
IRS	Internal Revenue Service. The federal department having jurisdiction over the program, as mandated by Congress. The program is administered by each states' delegated staff, who is in turn regulated by the Internal Revenue Service.
LIHTC	Low Income Housing Tax Credit.

## EXHIBIT M (Continued)

LURA	Land Use Restriction Agreement. The agreement declaring the terms of the low-income use and the term restrictions. This document is recorded on the land title as public notice of the restrictions.
OWHLF	Olene Walker Housing Loan Fund. A pool of funds, inclusive of state, federal and program income used exclusively to support affordable housing in the state of Utah. Formerly known as the Olene Walker Housing Trust Fund.
PHA	Public Housing Authority. An independent organization set up to provide housing assistance within a community. They are the issuing agent for HUD Section 8 vouchers and certificates. They also may have ownership interest in housing units.
PUD	Planned Unit Development. This is a form of ownership typical of townhouse construction. Each owner of a unit owns the land under their unit and a percentage of any common area, unlike a condominium, where the owner owns a percentage of the project and the area within their unit.
RD	U.S. Department of Agriculture Rural Development Service, a staff of the federal government responsible for economic and housing development in rural areas. Formerly known as the Farmer's Home Administration.
SRO	Single Residential Occupancy. This is a very small rental unit that usually has a small kitchenette with common bathroom and shower facilities. It is generally built for households having only one person.

## OLENE WALKER HOUSING LOAN FUND

### Environmental Requirements

It is important for all recipients to understand that there are certain environmental review requirements for projects funded with HUD (HOME) dollars. If any part of the project is funded with HUD dollars the whole project is “tainted” and is subject to environmental regulations.

- Step 1.** Recipient should contact a DCD Housing Specialist to determine what “pots” of funding are financing the project. HOME funds? State funds?
- Step 2.** If there is any HUD money involved, recipients must not proceed with the project without first contacting a DCD Housing specialist for guidance on how to complete the appropriate review.  
**(No construction awards may be made or expenses incurred prior to the review process!)**
- Step 3.** Depending on the size and scope of the project, recipient will be required to complete an “environmental review” of the project to determine any impacts. This can take between 1 – 8 weeks depending on the scope of the project.
- Step 4.** Recipients must obtain an “environmental release” letter from the DCD Environmental Review Officer prior to committing funds or incurring costs related to the project. Any costs incurred prior to the release will be denied.

## SINGLE-FAMILY REHABILITATION AND REPLACEMENT

### Pricing Policy, Loan Products, and Loan Terms

<b>Interest Rate:</b>	<u>Average %AMI Served:</u>	<u>Interest Rate:</u>
	50 or below	2.0%*
	51 – 60	2.5%
	61 – 80	3.0%
Interest rate is based on actual income as defined below.		
*Interest rate will be determined on a case-by-case basis.		
<b>Late Fee:</b>	5 percent of amount due.	
<b>Fees:</b>	None.	
<b>Income Eligibility</b>	Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.	
<b>Loan Payment Calculation:</b>	Loan payment and term will be determined based on actual income. Actual income is defined as adjusted gross income as calculated on the IRS 1040 Form, plus non-taxable social security income.	
<b>Eligible Borrower:</b>	Staff will evaluate applicant’s income and debt ratio.	
	The Borrower must occupy the property as a principal residence and purchase the property through an approved form of ownership.	
<b>Collateral Evaluation:</b>	To include review of appraisal or tax evaluation notice or comparables.	
<b>Risk Management:</b>	Funds advanced during construction will be advanced against draws following satisfactory evaluation of work and contract compliance.	
<b>Amortizing Loan:</b>		
	<b>Term/amortization:</b>	Lesser of 40 years or 5 years less than remaining useful life of collateral as determined by appraisal review on new construction, and the evaluation of staff for acquisition and rehabilitation.
	<b>Repayment:</b>	Mandatory monthly payments of principal and interest. The entire unpaid principle balance, accrued interest, and accrued late charges are due upon death of the borrower(s) or sale of the property.
<b>Deferred Loan:</b>		
	<b>Term:</b>	40 years or less.
	<b>Repayment:</b>	Principal and interest may be deferred. The entire unpaid principle balance, accrued interest, and accrued late charges are due upon death of the borrower(s) or sale of the property.
<b>Loan Types:</b>	Permanent loans for projects. Refinancing is for preserving affordability with substantial rehabilitation, or acquisition/rehab projects.	
<b>Security:</b>	Secured with a deed of trust.	

**EXHIBIT O (Continued)**

<b>Other Requirements:</b>	Hazard insurance with extended coverage and liability insurance, flood insurance if in flood plain.
<b>Maximum Property Value:</b>	The value of any homebuyer/homeowner-occupied property may not exceed 95 percent of the FHA Mortgage Limits published annually by HUD.
<b>Loan-To-Value:</b>	Combined loan-to-value will not exceed 95 percent of property value.
<b>Debt Coverage Ratio:</b>	Should not exceed approximately 38 percent ratio for debt and 30 percent for housing payments.
<b>Prepayment:</b>	Permitted with no prepayment premium.
<b>Loan Amount:</b>	Minimum is \$1,000 and maximum is project based.
<b>Recapture/Resale:</b>	None

**WEATHERIZATION , RD Pricing Policy**

<b>Interest Rate:</b>	Grants
<b>Fees:</b>	None
<b>Eligible Owner:</b>	At or below 125 percent of poverty and eligible for the Weatherization Program. The homeowner must occupy the property as a principal residence.
<b>Collateral Evaluation:</b>	None
<b>Risk Management:</b>	None
<b>Grant Amount:</b>	Varies with weatherization work to be done.
<b>Recapture and Resale:</b>	None

**OWNER OCCUPIED DEVELOPMENT AGENCY GUIDELINES****Pricing Policy and Loan Products**

<b>Base Interest Rate:</b>	<u>Average %AMI Served:</u>	<u>Interest Rate:</u>
	50 or below	2.0%*
	51 – 60	2.5%
	61 – 80	3.0%

Interest rate is based on actual income as defined below.

\*Interest rate will be determined on a case-by-case basis.

**Late Fee:** 5 percent of amount due.

**Default Rate:** The greater of 10 percent per annum or the default rate of priority lien in effect at time of default.

**Fees:** None.

**Income Eligibility:** Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.

**Loan Payment Calculation:** Loan payment and term will be determined based on actual income. Actual income is defined as adjusted gross income as calculated on the IRS 1040 Form, plus non-taxable social security income.

**Eligible Borrower:** OWHLF will evaluate applicant's, or its member's, financial and management strength and property development/management experience.

Borrower and all entities associated therewith (including without limitation general partner/manager, limited partner/member, developer, and sponsor) must be current on all outstanding OWHLF or DCD obligations at time of application, reservation and funding of loans.

The Borrower must occupy the property as a principal residence and purchase the property through an approved form of ownership.

**Collateral Evaluation:** To include review and approval of development budget, appraisal, profit and loss statement, cash flow analysis, lender income analysis, jurisdictional approvals, community support, degree of affordability.

**Risk Management:** Loans will be closed through escrow at or subsequent to close of building acquisition/refinance or construction loan.

Funds advanced during construction shall be advanced against draws following satisfactory evaluation of work and contract compliance.

**Appraisal:** Provide a current appraisal approved by priority lien holder.

**Environmental:** HUD or Phase-I report with environmental questionnaire completed by provider of report. Provider must be licensed and bonded.

## EXHIBIT Q (Continued)

	Acquisition/Rehabilitation, Property is required to provide assessment report to determine presence of asbestos and lead-based paint.
<b>Other Requirements:</b>	Hazard insurance with extended coverage, liability insurance, and flood insurance, if in flood plain.  As-built property survey will be required.
<b>Recapture and Resale:</b>	Determined with the Affordability Period.
<b>Maximum Property Value:</b>	The value of any homebuyer/homeowner-occupied property may not exceed 95 percent of the FHA Mortgage Limits as published annually by HUD.
<b>Amortizing Loan:</b>	Five years or when each lot is reconveyed.
<b>Repayment:</b>	Annual payments or as each lot is sold, whichever comes first.
<b>Deferred Loan Term:</b>	Five years or when all lots are reconveyed.
<b>Repayment:</b>	Principal and interest deferred for 2 years. Exceptions will be considered on a case-by-case basis.
<b>Loan Types:</b>	Permanent loans for newly constructed projects will be of a minimum amount necessary to achieve affordability targets when combined with available private resources.
<b>Security:</b>	First position deed of trust. May subordinate to FHA insured debt with surrender of foreclosure rights, however, without waiver of mandatory payment requirements.
<b>Loan-To-Value:</b>	Combined loan-to-value shall not exceed 95 percent.
<b>Prepayment:</b>	Permitted with no prepayment penalty.
<b>Match Funds:</b>	Projects located in independent participating jurisdictions (as established by HUD) are required to secure match funds of not less than .50:1 with OWHTF.
<b>Deferred Loans:</b>	Projects seeking deferred loans shall secure match funds of equal or better terms of not less than .50:1 with OWHTF. Sources include, without limitation, proceeds from Federal Home Loan Bank AHP grants, private foundation grants, fee waivers, and local government grants. Sources exclude Federal tax credits and federal or state grant funds administered by OWHTF.



**HOMECHOICE - Physically or Mentally Disabled Clients****Pricing Policy, and Loan Products, and Loan Terms**

<b>Interest Rate:</b>	Between 1-5 percent.
<b>Late Fee:</b>	Five percent of amount due.
<b>Fees:</b>	None.
<b>Income Eligibility:</b>	Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.
<b>Eligible Borrower:</b>	Disabled owner or disabled family member at or below 80 percent area median income. The Borrower must occupy the property as a principal residence and purchase the property through an approved lender.
<b>Qualifying Ratios:</b>	Borrower's debt ratio will not exceed 50/50 percent.
<b>Closing Costs:</b>	May be funded within the requirements of Fannie Mae's Home Buyers' Program.
<b>Recapture and Resale:</b>	None.
<b>Down Payment</b>	A three percent down payment is based on the sales price. The borrower must contribute \$500 from their own funds. The remainder may come from gifts or grants.
<b>Cash Reserves:</b>	The borrowers are required to have two months' mortgage payments (PITI) in reserves after closing. One month's reserve must come from the owner's funds, the second month will come from the \$20,000 reserve account via a letter of commitment from the OWHLF. The reserve may be maintained in a verified account or held by a participating organization, or family member.
<b>Risk Management:</b>	Loans shall be closed and funded through escrow at or subsequent to close of home acquisition/refinance or rehabilitation/replacement loan.
<b>Loan Term:</b>	Loan term matches the first mortgage.
<b>Combined LTV Ratios:</b>	Subordinate financing when used to supplement a borrower's contribution for the closing cost and down payment assistance, must have grant like terms if the CLTV ratio is over 97 percent and may not exceed 105 percent. If subordinate financing is used for accessibility modification in addition to closing costs and down payment assistance the CLTV ratio may not exceed 120 percent.

<b>Maximum Property Value:</b>	The value of any homebuyer/homeowner-occupied property may not exceed 95 percent of the FHA Mortgage Limits as published annually by HUD.
<b>Subordinate Financing:</b>	Must be approved by the lender's lead Fannie Mae Regional Office. Subordinate financing may consist of a 2 <sup>nd</sup> or 3 <sup>rd</sup> lien mortgage where different funding sources are used.
<b>Collateral Evaluation:</b>	To include review of appraisal, tax evaluation notice or comparables.
<b>Amortizing Loan:</b>	
<b>Term/amortization:</b>	Fifteen to thirty year fixed rate, fully amortizing, level payment mortgage.
<b>Repayment:</b>	Mandatory monthly payments of principal and interest.
<b>Loan Types:</b>	Permanent loans for projects, refinancing for the purpose of preserving affordability, or acquisition/rehab projects Loans shall be of a minimum amount necessary to achieve affordability targets when combined with available private resources.
<b>Security:</b>	Second position deed of trust subordinate to private institutional lender.
<b>Prepayment:</b>	Permitted with no prepayment premium.
<b>Loan Amount:</b>	Minimum is \$1,000 and maximum is project based.
<b>Buy-downs:</b>	Temporary interest rate buy downs are not permitted.
<b>Mortgage Insurance:</b>	Is required on mortgages having a LTV ratio greater than 80 percent.
<b>Other Requirements:</b>	Hazard insurance with extended coverage, liability insurance, and flood insurance, if in a flood plain.

**DOWN PAYMENT ASSISTANCE****Pricing Policy and Loan Products**

<b>Interest Rate:</b>	None.
<b>Late Fee:</b>	None.
<b>Fees:</b>	None.
<b>Income Eligibility:</b>	Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.
<b>Eligible Borrower:</b>	For families at or below 70 percent of the area median income as determined by HUD. The Borrower must occupy the property as a principal residence and purchase the property through an approved form of ownership.
<b>Risk Management:</b>	Loans shall be closed and funded through escrow at or subsequent to close of the home acquisition loan.
<b>Amortizing Loan:</b>	
<b>Term/amortization:</b>	None.
<b>Repayment:</b>	None.
<b>Deferred Loan:</b>	
<b>Term/ Repayment:</b>	<b>Due</b> upon death of borrower(s) or sale of the property.
<b>Loan Type:</b>	Deferred.
<b>Security:</b>	Second or third position deed of trust subordinate to private institutional lender.
<b>Prepayment:</b>	Permitted with no prepayment premium.
<b>Recapture and Resale:</b>	Mandatory recapture upon death of borrower(s) or sale of the property.
<b>Maximum Property Value:</b>	The value of any homebuyer/homeowner-occupied property may not exceed 95 percent of the FHA Mortgage Limits as published annually by HUD.
<b>Other Requirements:</b>	Hazard insurance with extended coverage, liability insurance, and flood insurance, if in a flood plain.

## **SUCCESS MATCH**

### **Pricing Policy and Loan Product**

<b>Base Interest Rate:</b>	Zero percent deferred.
<b>Fees:</b>	None.
<b>Income Eligibility:</b>	Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.
<b>Eligible Borrower:</b>	Success match clients previously approved by a participating Housing Authority. The Borrower must occupy the property as a principal residence and purchase the property through an approved form of ownership.
<b>Recapture and Resale:</b>	None.
<b>Maximum Property Value:</b>	The value of any homebuyer/homeowner-occupied property may not exceed 95 percent of the FHA Mortgage Limits as published annually by HUD.
<b>Deferred Loan Term:</b>	Principle balance is due upon death of the borrower(s) or sale of the property.
<b>Security:</b>	Second position deed of trust.
<b>Prepayment:</b>	Permitted with no prepayment penalty.

**State of Utah**

**2004**

**Olene Walker**

**Housing Loan Fund**

**Part II**

**Multi-Family**

## **MULTI-FAMILY**

### **TABLE OF CONTENTS**

#### **Section**

1. OWHLF Reservation Cycles
2. Project Selection Process
  - A. Introduction
  - B. Project Underwriting and Threshold Requirements
  - C. Documentation Requirements
  - D. Market Study and Project Reasonableness
  - E. Calculating the Allowable Funding Amount
3. Developer, Contractor and General Requirement Fee Limits
  - A. Developer Fee
  - B. Contractor Fee (Builder Fee)
  - C. General Requirements
4. Approval Of Funding Request
5. Project Status Reporting
  - A. Project Development Schedule
6. Compliance Monitoring
7. Fees
8. Financial Subsidy Review
9. Common Application and Sharing of Information with other Financial Sources

#### **REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT A, 1	Application
EXHIBIT B	Safe Harbor Schedule
EXHIBIT D	Market Study Summary Sheet and Certification of Independence
EXHIBIT E	Capital Needs Requirements
EXHIBIT F	Identity of Interest Certification
EXHIBIT G	Pricing Policy/Loan Products/Loan Terms
EXHIBIT H	Final Cost Certification Instructions
EXHIBIT I	General Requirements
EXHIBIT J	Project Development Schedule
EXHIBIT K	Scoring
EXHIBIT N	Environmental Requirements (Federal HOME funds Only)

**Multi-Family:** five (5) or more units generating income and all Crown units.

## **1. OWHLF RESERVATION CYCLES**

Funds are made available through an application process. Reservations of funds are issued during a scheduled funding cycle. The Board shall hold four cycles for approval of applications.

Applicants applying for funds must submit a completed application (**EXHIBIT A, 1**), including all required support and supplementary documentation, to DCD on or before the dates indicated below. All completed and on time applications will be competitively reviewed by staff who will present the application to the Multi-family Committee (MFC) within the cycle received. Applications must be submitted in the following cycles before 5:00 P.M. (Mountain Time) on the dates specified below:

<b>No.</b>	<b>Reservation Cycle</b>	<b>Submission Deadline</b>	<b>Award Notification</b>	<b>Submit To</b>
1	Competitive Projects,	January 6, 2004	March 17, 2004	DCD
2	Competitive Projects	April 6, 2004	June 16, 2004	DCD
3	Competitive Projects,	July 6, 2004	September 15, 2004	DCD
4	Competitive Projects	October 12, 2004	December 15, 2004	DCD

A decision on each application will generally be made no later than the Award Notification Date for each cycle; however, the Board reserves the right to delay the decision to accommodate scheduling and processing.

If the Board should find it necessary to modify the Reservation Cycle Submission Deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

## **2. PROJECT SELECTION PROCESS**

### **A. Introduction**

The MFC shall select applications for project compliance with the following process:

- Project Underwriting & Threshold Review (**see section 2.B**)
- Scoring & Documentation Review (**see section 2.C**)
- Market Study & Project Reasonableness Review (**see section 2.D**)
- Calculation of OWHLF Amount (**see section 2.E**)

## **B. Project Underwriting and Threshold Requirements**

Financial feasibility is critical to the long-term affordability of the project. The staff will review the application to determine if it meets minimum feasibility threshold requirements before scoring. The application must satisfy the following criteria:

- Application with supporting EXHIBITS must be complete, signed, and submitted in duplicate along with a digital copy in Microsoft Excel 5.0 –97 SR-2 format.
- Only 2004 applications with write protection intact will be accepted.
- Project must commit to an extended use period of not less than 50 years.
- Project must provide evidence of site control (i.e. Real Estate Purchase Contract or equivalent).
- Current zoning must permit Multiple Residential use and be consistent with the proposed project. Projects located on property-zoned commercial must have obtained a conditional use permit consistent with the proposed project prior to application deadline.
- Project must demonstrate financial feasibility within the Board established Safe Harbors (**EXHIBIT B**).
- Projects requesting funds for acquisition and rehabilitation must expend a minimum of \$5000.00 per unit, in direct rehabilitation costs or 10 percent of the depreciable basis of the building, whichever is greater. Staff is required to review the application and conduct a site visit and inspection of the property and may make recommendation to the MFC indicating the appropriateness of the rehabilitation amount per unit indicated by the developer based on the existing condition of the property. Staff may further require a Certified Needs Assessment (also known as a Capital or Critical Needs Assessment) to confirm the rehabilitation amounts indicated. A FIRREA Appraisal (within 6 months) is required to establish the eligible basis in the existing buildings due at the time of funding.
- MFC, at its sole discretion shall determine if a project qualifies as substantial rehabilitation. Generally, substantial rehabilitation requires the replacement of two or more major systems and their components including roof, fenestration, electrical, plumbing, HVAC, etc..
- A comprehensive independent third party market study is required according to the procedures in Section D below.
- Letters of interest are required from financial sources for all projects. The letters of interest should stipulate the amount, loan terms and the lender's acceptable Debt Coverage Ratio. Letters of interest are also required for grants.

## **C. Documentation Requirements**

The application must include all documentation supporting claims made. Documentation required to meet threshold requirements must be provided or the application will not be considered for funding. The OWHLF Documentation Checklist on page one of the application (**EXHIBIT A, 1**) is provided to assist developers in properly documenting the Application. This page must accompany the application. No new documentation will be accepted after the application deadline.

Third party documentation is required relative to zoning, site control, environmental assessment, and property tax estimate.

Independent Comprehensive Market Studies are required at the time of application on projects over 25 units. Projects with 25 or fewer units must provide a comprehensive



study within 90 days of receiving any conditional approval for funding. Applicants must submit **EXHIBIT D** with the market study.

All Rehabilitation projects are required to provide a comprehensive Capital Needs Assessment (**EXHIBIT E**) on the project as a threshold item. Projects are required to provide an independent third party verification of rents charged (before negotiations were entered into for the purchase of the project) in the form of actual checks, audited rent rolls etc., for at least two years, with a CPA review or other independent third party approved by staff as part of the application.

Special Needs Units - A letter from the developer is required with each application explaining the developer's intention regarding special needs units that is consistent with letters received from the service provider(s). Also, the developer must indicate what steps will be taken to inform the service provider of a vacancy and what steps the project will take to keep the special needs units continuously occupied by the intended tenant population.

Any project utilizing Federal HOME funds will require an environmental review to be completed prior to funding. (**EXHIBIT N**)

#### **D. Market Study & Project Reasonableness:**

Projects must be developed and operated within multi-family standard operating safe harbor guidelines (**EXHIBIT B**). Substantial deviations from standards should be accompanied by thorough and defensible explanations to prevent rejection of the application.

Projects over 25 units must submit an independent third party comprehensive market study (the "Market Study") as part of the OWHLF Application, including the Market Study Summary Sheet and Identity of Interest Certification provided in **EXHIBIT F**.

All other projects must provide the Market Study within 90 days following funding approval. The Market Study must address the following areas of study, while taking into consideration the project's location, amenity package, rent tier, unit type and size. The Application must conform to the Market Study conclusions or provide a reasonable defense of any deviations.

Board is an allocator of federal and state resources. The comprehensive market study (the "Market Study") is to inform the developer of the need for affordable housing and the best configuration/design of a project. Interested parties, such as lenders and investors should determine for themselves the feasibility and merits of the project.

MFC review of documents submitted in connection with the OWHLF allocation process is for its own purposes. MFC makes no representations to the owner or anyone else as to the financial viability of any project.

MFC recognizes that smaller projects may require little explanation in several of the required areas of study and analysis.

Please list the corresponding page number in the market study that addresses the items in **EXHIBIT D**.

- Is there a sufficient pool of prospective qualified tenants for the income targeted and/or any special needs populations? Bracketing each income level 5 percent over and 10 percent under the proposed AMI levels should do this. Where income levels overlap, the analyst may combine two income levels, but only for identical unit types. The study must consider the restrictions of all financial resources and corresponding rent and income limits. Capture rate analysis should be provided for each income level.

- Are public transportation, employment centers, community centers, etc. readily available to the type of tenant population expected to occupy the project?
- Is the project configuration (unit size, bedrooms, amenities) consistent with the market's expectations and needs?
- Are rents sufficiently lower than the market to facilitate project rent-up considering the level of amenities in the proposed project?
- What are current market needs in the community (vacancy, etc.) and how will this project impact them? Are there underserved markets or income levels?
- Is over-building a risk in the current or foreseeable market?
- Assess in detail the probable impact the subject project will have on existing tax credit projects in the market area. Similar rent tiers should be evaluated.
- Evaluate and explain what effect the project will have on local and community market rate or other subsidized competitors?
- Does the proposed operating budget and vacancy rate adequately reflect anticipated market conditions?
- Address other pertinent issues and conditions.
- The analyst must perform primary research by site visitation to analyze demographic data, new in-process renovations and construction, etc..
- A precise delineation of market area is required.
- Special analysis is required to determine the retention rate of existing tenants for rehabilitation projects.
- The Market Study must be less than 180 days old at the time of the Application's submission to Board.
- Conclusions and recommendations for making the project more marketable and attractive are required.
- The analyst's qualifications, education and experience must be provided.
- **EXHIBIT D** must be signed and attached to the Market Study.
- If available, a local community Affordable Housing Plan Summary must be included as an EXHIBIT to the Market Study.

#### **E. Calculation of Loan Amount**

The online application will automatically determine the overall score and subsidy limits based on the number of units, the bedroom size and AMI population being served. **(EXHIBIT K)**

Projects are subject to further evaluation to determine the amount of funds that may be requested. The staff is required to make these determinations at three specific times:

- Upon review of application.
- Upon approval of funding by the Board.
- Prior to loan closing.

During each project evaluation, the staff will consider, among other factors, the following:

- Sources of funds including debt terms, grants, Tax Credit proceed amount and payment schedule.
- Development and construction costs.
- Operational costs.
- Project cash flow.
- Scoring sheet evaluation.

Prior to funding, the applicant must certify to the staff the full extent of all federal, state and local subsidies, which apply (or which applicant expects to apply) to the project.

The staff reserves the right to review and/or inspect any information provided by an applicant with respect to project costs or financing, and the applicant agrees to provide such information when requested. Through the competitive system, projects with excessively high intermediary costs will run the risk of not receiving funding.

The staff will evaluate each proposed project's financial feasibility and viability by taking into consideration, without limitation:

- The proposed sources and uses of funds.
- The terms and conditions of the permanent financing package including debt, investor contributions, grants, etc..
- The Tax Credit purchase rate and net equity proceeds expected to be generated by their purchase.
- The reasonableness of the developmental and operational costs, including cash flow and debt coverage ratios of the project.

The staff will utilize the Safe Harbor Schedule set forth in **EXHIBIT B** in the process of evaluating feasibility and determining funding needs. Projects that propose fiscal scenarios outside the staff's established Safe Harbors must provide reasonable explanation for such proposals and evidence of acceptance of such proposals by the project's lender and investor. The staff reserves the right, at its sole discretion, to reject the proposed scenario and underwrite the project using the established Safe Harbors.

Based on this evaluation, the staff shall underwrite for purposes of feasibility and will determine the amount of funds and the loan terms it will recommend for each application based on the pricing policy, loan terms, and loan products (**EXHIBIT G**). A similar analysis will be completed at the approximate date of allocation of the funding amount.

### **3. DEVELOPER, CONTRACTOR AND GENERAL REQUIREMENT FEE LIMITS**

Fee limits have been established related to the development of the project, including but not limited to:

- Developer over-head and profit.
- Contractor over-head, profit and general requirements.
- Development consulting fees.

All development fees must be reasonable with respect to the low-income housing objectives while sufficient to attract quality projects to the OWHLF. The Final Cost Certification (**EXHIBIT H**) of each project requires that the project owner's CPA complete an audit and evaluation of all fee and overhead contracts whether with related or unrelated parties. The project developer must make full disclosure and allow the CPA access to all developer contracts in connection with preparation of the Final Cost Certification.

The Board has established the following fee limits for the purpose of determining:

- The maximum loan allocation permissible for a project (based on a project's eligible basis) and
- The minimum loan allocation required for a project (based on a project's funding gap).

**A. Developer Fee**

For the purpose of this section, "Developer Fee" shall mean all developer over-head, profit and consulting expenses incurred by the project whether provided by the developer or another party.

**B. Contractor Fee (Builder Fee)**

"Contractor Fee" shall mean those expenses incurred by the project for construction trades administration, including all contractor over-head, profit and wage expenses exclusive of such expenses allocable to General Requirements.

**C. General Requirements**

"General Requirements" will be limited to those items and limits for eligible basis set forth in **EXHIBIT I**. In general, contractor fees, overhead and general requirements should be consistent with HUD guidelines as set forth in 4450.1 and Section 911 reviews (HUD Notice H 95-4).

The staff shall evaluate projects for compliance with fee limits using the "New Construction – Standard" or "Acquisition Rehab. – Standard" convention as applicable unless the Contractor Fee and General Requirements are not independently certified as part of the Final Cost Certification. When the Contractor Fee and General Requirements are not independently certified, the staff shall use the respective "Alternate" convention requiring a competitively bid fixed sum contract and no identity of interest relationship. The staff reserves the right to require further efforts of verification of these expenses if, in its sole discretion, such effort is warranted to comply with the spirit and intent of the OWHLF. Applicants must complete the Identity of Interest Certification (**EXHIBIT F**) in the application to disclose all interested party relationships.

CONVENTION/FEE	PROJECT SIZE
----------------	--------------

<b>New Construction-Standard</b>	<b>26 Units Or Greater</b>	<b>25 Units Or Less</b>	<b>Rural 25 Units Or Less</b>
Developer Fee	17% of DPB	20% of DPB	25% of DPB
Contractor Fee	Included in Developer Fee Limit	Included in Developer Fee Limit	Included in Developer Fee Limit
General Requirements	6% of Direct Construction	6% of Direct Construction	6% of Direct Construction
<b>New Construction-Alternate</b>			
Developer Fee	6% of DPB plus Contractor Fee	11% of DPB plus Contractor Fee	11% of DPB plus Contractor Fee
Contractor Fee & General Requirements	Reasonable (not certified)	Reasonable (not certified)	Reasonable (not certified)
<b>Acquisition &amp; Rehab-Standard</b>			
Developer Fee	17% of DPB plus 6% of AC	20% of DPB plus 8% of AC	25% of DPB plus 8% of AC
Contractor Fee	Included in Developer Fee limit	Included in Developer Fee limit	Included in Developer Fee limit
General Requirements	6% of Direct Construction	6% of Direct Construction	6% of Direct Construction
Acquisition Fee	6% of Building(s) Acquisition	6% of Building(s) Acquisition	6% of Building(s) Acquisition
<b>Acquisition &amp; Rehab-Alternate</b>			
Developer Fee	6% of (DPB+AC) + Contractor Fee	11% of (DPB+AC) + Contractor Fee	11% of (DPB+AC) + Contractor Fee
Contractor Fee & General Requirements	Reasonable (not certified)	Reasonable (not certified)	Reasonable (not certified)
Acquisition Fee	6% of Building(s) Acquisition	6% of Building(s) Acquisition	6% of Building(s) Acquisition

DPB = Developer Profit Basis = [Site Work + Rehab/New Construction + Contingency + A&E – Impact Fees]

AC = Acquisition Cost = [purchase price – land value – related party fees and commissions]

#### **4. APPROVAL OF FUNDING REQUEST**

After each application has been processed and the funding amount has been determined, staff will present projects to the MFC at its regularly scheduled meetings. The MFC shall hear comments from applicants at the committee meetings as required to best inform the full board on the project financial structure and general parameters.

A copy of the MFC recommendation, with all conditional requirements imposed by the MFC and staff shall become a permanent record in the applicant's file. This recommendation will then be

presented to the board at the regularly scheduled quarterly meetings. The board will either approve, deny, or delay the application. A copy of the Individual Project and Signature Form shall be provided at the conclusion of the meeting and the Board Chair and the applicant will sign it at that time.

It is this document that shall become the basis for the terms as outlined in the "Loan Documents" to be prepared by staff. No allowances or exceptions to the motion of the board shall be allowed. An applicant may request a change in the terms as outlined in the original motion of the board by reapplying to DCD, with all updated, applicable financial information included, in subsequent funding rounds.

## **5. PROJECT STATUS REPORTING**

All projects receiving funding approval will be required to provide status reports in a frequency and format prescribed by the staff.

Information requested will be project specific and may include such items as: zoning approvals, firm debt and/or equity financing commitments, reports on construction progress, site control, and an update of cost for analysis.

Projects that have not begun construction within one year from the date of approval for funding must submit to staff a summary of significant progress made to date and an explanation of why the project is not moving forward. Staff will present this information to the MFC. The MFC has the authority to extend the period of funding or to rescind the approval and require the project to reapply under the then current project conditions.

A Project Development Schedule (**EXHIBIT J**) must be completed and delivered to staff on or before April 1, and September 1, of each year the project is under development.

## **6. COMPLIANCE MONITORING**

The staff monitors projects for compliance. Staff will report non-compliance to the division administration, the Board, HUD, and the Attorney Generals Office.

## **7. FEES**

None

## **8. FINANCIAL SUBSIDY REVIEW**

Staff shall conduct "subsidy layering" reviews on projects that directly or indirectly receive financial assistance from the U.S. Department of Agriculture Rural Development Service ("RD") or the U.S. Department of Housing and Urban Development ("HUD") exclusive of HOME, CDBG, or HOPWA assistance, (the "Subsidy Layering Review"). These Subsidy Layering Reviews shall be conducted in accordance with guidelines established by RD and HUD with respect to the review of any financial assistance provided by or through these agencies to the project and shall include, without limitation, a review of: (a) the amount of equity capital contributed to a project by investors, (b) the project costs including developer fees, and (c) the contractor's profit, syndication costs and rates. In the course of conducting the review, the staff may disclose or provide a copy of the application to RD or HUD for their review and comments and shall take any other action deemed necessary to satisfy its obligations under the respective review requirements. DCD staff will accept a review completed by Utah Housing Corporation.

**9. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS, Utah Housing Corporation (UHC), investors and others as determined by the staff in evaluating and tracking the progress of the project.

The staff complies with the provisions of GRAMA and Freedom of Information Acts.

**State of Utah**

**2004**

**Olene Walker Housing  
Loan Fund**

**Part III**

**Four-Plex or Less  
With Rental Income**



## **FOUR-PLEX OR LESS WITH RENTAL INCOME TABLE OF CONTENTS**

### **FOUR PLEX OR LESS**

1. OWHLF Reservation Cycles
2. Project Selection Process
  - A. Introduction
  - B. Project Underwriting and Threshold Requirements
  - C. Documentation Requirements
  - D. Project Reasonableness
  - E. Calculation of OWHLF Amount
3. Developer, Contractor and General Requirement Fee Limits
  - A. Developer Fee
  - B. Contractor Fee (Builder Fee)
  - C. General Requirements
4. Approval Of Funding Request
5. Project Status Reporting
6. Compliance Monitoring
7. Fees
8. Financial Subsidy Review
9. Common Application and Sharing of Information with Other Financial Sources

### **REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT A, 2	Application
EXHIBIT B	Safe Harbor Schedule
EXHIBIT E	Capital Needs Requirements
EXHIBIT F	Identity of Interest Certification
EXHIBIT G	Pricing Policy, Loan Products and, Loan Terms
EXHIBIT H	Final Cost Certification
EXHIBIT I	General Requirements
EXHIBIT J	Project Development Schedule
EXHIBIT N	Environmental Requirements

## **One to Four Units: Four-plex or less with rental income.**

### **1. OWHLF RESERVATION CYCLES**

Funds are made available through an application process. Reservation of funds is issued during a scheduled funding cycle. The Board shall hold 12 cycles for approval of applications.

Applicants applying for funds will submit a completed application (**EXHIBIT A, 2**), including all required support and supplementary documentation, to DCD on or before the dates indicated below, before 5:00 P.M. (Mountain Time). All completed applications received by the submission deadlines will be reviewed and presented to the Single-Family Committee (SFC) within the cycle received.

<b>Submission Deadline</b>	<b>Award Notification</b>	<b>Submission Deadline</b>	<b>Award Notification</b>
January 20, 2004	March 17, 2004 Board Meeting	July 20, 2004	September 15, 2004 Board Meeting
February 17, 2004	March 17, 2004 Board Meeting	August 24, 2004	September 15, 2004 Board Meeting
March 23, 2004	April 28, 2004 Interim Meeting	September 21, 2004	October 27, 2004 Interim Meeting
April 20, 2004	June 16, 2004 Board Meeting	October 19, 2004	December 15, 2004 Board Meeting
May 18, 2004	June 16, 2004 Board Meeting	November 23, 2004	December 15, 2004 Board Meeting
June 22, 2004	July 28, 2004 Interim Meeting	December 21, 2004	TBD

A decision on each application will generally be made no later than the Award Notification Date for each cycle; however, the Board reserves the right to delay the decision to accommodate scheduling and processing.

If the Board should find it necessary to modify the deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

### **2. PROJECT SELECTION PROCESS**

#### **A. Introduction**

Applications will be selected for funding based on the following:

- Project Underwriting and Threshold Review
- Documentation Review
- Project Reasonableness Review
- Calculation of OWHLF Amount

## **B. Project Underwriting and Threshold Requirements**

Financial feasibility threshold requirements that are critical to the affordability of the project will be reviewed. The application must satisfy the following criteria:

- Application with supporting EXHIBITS must be complete, signed, and submitted in duplicate along with a digital copy in Microsoft Excel 5.0 –97 SR-2 format.
- Only 2004 applications with write protection intact will be accepted.
- Project must commit to an extended use period of not less than 50 years.
- Project must provide evidence of site control. Staff shall determine, at its sole discretion, the adequacy of the site control document (i.e. Real Estate Purchase Contract or equivalent).
- Eligible Property Types can be single-family property (one unit), a two-to-four unit property, a condominium unit, a cooperative unit or a unit in a mutual housing project (if recognized by law) and a manufactured home.
- Current zoning must be consistent with the proposed project. Projects located on property-zoned commercial must have obtained a conditional use permit consistent with the proposed project prior to application deadline.
- All applicants must complete the environmental site specific checklist, (**EXHIBIT N**) Sites having any potentially adverse environmental or habitat issues must complete a study if federal HOME funds are obtained.
- Project must demonstrate financial feasibility within the Board established Safe Harbors (**EXHIBIT B**).
- Projects requesting funds for acquisition and rehabilitation must expend a minimum of \$5000.00 per unit, in direct rehabilitation costs. Staff may visit the site and conduct an inspection of the property and may make a recommendation to the SFC indicating the appropriateness of the rehabilitation based on the existing condition of the property and review of the Certified Needs Assessment, (also known as a Capital or Critical Needs Assessment) (**EXHIBIT E**), to confirm the rehabilitation amounts indicated. An appraisal (within 6 months) is required before funding the project.
- Property Standards: Work must be done in accordance with adopted written rehabilitation standards, property standards, housing codes and building codes. Manufactured housing must meet the Manufactured Home Construction and Safety Standards as established by 24 CFR Part 3280. Installation of manufactured housing must comply with applicable state and local laws and codes.
- SFC, at its sole discretion, shall determine if a project qualifies as substantial rehabilitation. Generally, substantial rehabilitation requires the replacement of two or more major systems and their components including roof, electrical, plumbing, HVAC, etc..
- Letters of interest are required from financial sources for all projects. The letters of interest should stipulate the amount, loan terms and the lender's acceptable Debt Service Coverage Ratio floor. Letters of interest are also required for grants.

### **C. Documentation Requirements**

Applications will include all applicable documentation supporting claims or the SFC will not consider the application. The OWHLF Documentation Application Checklist (**In Application EXHIBIT A, 2**) is provided to assist developers in properly documenting the application. This page must accompany the application. No new documentation will be accepted after the application deadline.

Third party documentation is required on zoning, site control, environmental assessment, property tax estimate, etc.

All rehabilitation projects are required to provide a comprehensive Capital Needs Assessment, (**EXHIBIT E**), on the project as a threshold item. Applicants are required to provide an independent third party verification of rents charged, (before negotiations were entered into for the purchase of the project) in the form of actual checks, audited rent rolls etc., for at least two years, with a CPA review or other independent third party as part of the application.

Special Needs Units - A letter from the developer is required with each application explaining the developer's intention regarding special needs units that is consistent with letters received from the service provider(s). The developer must indicate what steps will be taken to inform the service provider of a vacancy to keep the special needs units continuously occupied by the intended tenant population.

Any project utilizing Federal HOME funds require an environmental review to be completed prior to funding (**EXHIBIT N**).

### **D. Project Reasonableness**

Projects will be reviewed for reasonableness, with respect to development, operating costs and market conditions. Projects must be developed and operated within standard operating Safe Harbor Schedule (**EXHIBIT B**). Substantial deviations from standards should be accompanied by thorough and defensible explanations to prevent rejection of the application.

SFC review of documents submitted in connection with the OWHLF allocation process is for its own purposes. SFC makes no representations to the owner or anyone else as to the financial viability of any project.

### **E. Calculation of OWHLF Amount**

Projects are subject to further evaluation to determine the amount of funds that may be requested and are determined at three specific times:

- Upon review of application.
- Upon approval of funding by the Board.
- Prior to loan closing.

During each project evaluation, other factors are considered:

- Sources of funds including debt terms, grants, and payment schedule.
- Development and construction costs.
- Operational costs.
- Project cash flow.

Prior to funding of the project, the applicant must certify to the staff the full extent of all federal, state and local subsidies.

The staff reserves the right to review and/or inspect any information provided by an applicant with respect to project costs or financing, and the applicant agrees to provide such information when requested. Through the competitive system, projects with excessively high intermediary costs will run the risk of not receiving funding.

The staff will evaluate each proposed project's financial feasibility and viability by taking into consideration, without limitation:

- The proposed sources and uses of funds.
- The terms and conditions of the permanent financing package including debt, investor contributions, grants, etc..
- The reasonableness of the developmental and operational costs, including cash flow and debt coverage ratios of the project.

The staff will utilize the Safe Harbor Schedule (**EXHIBIT B**) in the process of evaluating feasibility and determining funding needs. Projects outside of the Safe Harbors will provide reasonable explanation for such proposals and supporting documentation of the acceptance of such proposals by the project's other lenders. The staff reserves the right, at its sole discretion, to reject the proposed scenario and underwrite the project using the established Safe Harbors.

The evaluation will determine the amount of funds and the loan terms it will allocate for each application based on the Pricing Policy, Loan Products and, Loan Terms (**EXHIBIT G**). A similar analysis will be completed at the approximate date of allocation of the funding amount.

Prior to funding, the applicant will make written certification the full extent of all federal, state and local subsidies that apply to the project.

### **3. DEVELOPER, CONTRACTOR AND GENERAL REQUIREMENT FEE LIMITS**

Fees related to the development of the project, including but not limited to:

- Developer over-head and profit.
- Contractor over-head, profit and general requirements.
- Development consulting fees.

All development fees must be reasonable with respect to the low-income housing objectives while sufficient to attract quality projects to the program. The Final Cost Certification (**EXHIBIT H**) of each project requires that the project owner's CPA complete an audit and evaluation of all fee and overhead contracts whether with related or unrelated parties. The project developer must make full disclosure and allow the CPA access to all developer contracts in connection with preparation of the Final Cost Certification.

Board has established the following fee limits for the purpose of determining:

- The maximum Loan allocation permissible for a project based on a project's total cost.
- The minimum Loan allocation required for a project based on a project's funding gap.

### **A. Developer Fee**

For the purpose of this section, "Developer Fee" shall mean all developer over-head, and profit and consulting expenses incurred by the project whether provided by the developer or another party.

### **B. Contractor Fee (Builder Fee)**

"Contractor Fee" shall mean those expenses incurred by the project for construction trades administration, including: all contractor over-head, profit and wage expenses exclusive of such expenses allocable to General Requirements.

### **C. General Requirements**

"General Requirements" (**EXHIBIT I**) will be limited to those items and limits for eligible basis. In general, contractor fees, overhead and general requirements should be consistent with HUD guidelines as set forth in 4450.1 and Section 911 reviews (HUD Notice H 95-4).

The staff shall evaluate projects for compliance with fee limits using the "New Construction Standard" or "Acquisition Rehabilitation Standard" convention, unless the Contractor Fee and General Requirements are not independently certified as part of the Final Cost Certification (**EXHIBIT H**).

When the Contractor Fee and General Requirements are not independently certified, the staff shall use the respective "Alternate" convention requiring a competitively bid fixed sum contract and no identity of interest relationship.

The staff reserves the right to require further efforts of verification of these expenses if, in its sole discretion, such effort is warranted to comply with the spirit and intent of the OWHLF.

<b>Convention/Fee</b>	<b>PROJECT SIZE</b>	
	<b>Rural 25 Units Or Less</b>	<b>25 Units Or Less</b>
<b>New Construction Standard</b>		
Developer Fee	25% of DPB	20% of DPB
Contractor Fee	Included in Developer Fee Limit	Included in Developer Fee Limit
General Requirements	6% of Direct Construction	6% of Direct Construction
<b>New Construction Alternate</b>		
Developer Fee	11% of DPB plus Contractor Fee	11% of DPB plus Contractor Fee
Contractor Fee & General Requirements	Reasonable (not certified)	Reasonable (not certified)
<b>Acquisition and Rehabilitation Standard</b>		
Developer Fee	25% of DPB plus 8% of AC	20% of DPB plus 8% of AC
Contractor Fee	Included in Developer Fee limit	Included in Developer Fee limit
General Requirements	6% of Direct Construction	6% of Direct Construction
Acquisition Fee	6% of Building(s) Acquisition	6% of Building(s) Acquisition

<b>Acquisition and Rehabilitation Alternate</b>		
Developer Fee	11% of (DPB+AC) + Contractor Fee	11% of (DPB+AC) + Contractor Fee
Contractor Fee and General Requirements	Reasonable (not certified)	Reasonable (not certified)
Acquisition Fee	6% of Building(s) Acquisition	6% of Building(s) Acquisition

DPB = Developer Profit Basis = [Site Work + Rehab/New Construction + Contingency + A&E – Impact Fees]

AC = Acquisition Cost = [purchase price – land value – related party fees and commissions]

Applicants will complete the Identity of Interest Certification (**EXHIBIT F**) in the application to disclose all interested party relationships.

#### **4. APPROVAL OF FUNDING REQUEST**

After each application has been reviewed and the funding source has been determined, staff will present the projects to the SFC. The SFC may hear comments from the applicant at the committee meetings to best inform the full Board on the project financial structure and general parameters.

Following the SFC meeting, the “Individual Project and Signature Form” with all contingent recommendations by the SFC will be presented to the Board. The final motion will be recorded and the Board Chair and the applicant will sign the Individual Project and Signature Form.

The Individual Project and Signature Form document contains the terms in the “Loan Documents” to be prepared by the applicant. No allowances or exceptions to the motion of the Board will be allowed. An approval letter specifying the terms will be sent to the applicant.

An applicant may request a change in the terms of the Board’s original motion by reapplying to DCD, with all updated applicable financial information.

The application/file will be transferred to Project Management for funding source, loan documentation, contracts, payment and closeout.

#### **5. PROJECT STATUS REPORTING**

All projects receiving funding approval will be required to provide status reports.

Projects that have not begun construction within one year of the date of approval for funding will submit a summary of significant progress made to date and an explanation of why the project is not moving forward. The SFC has the authority to extend the period of funding or to rescind the approval and require the applicant to reapply under the current project conditions.

Information requested will be project specific and may include such items as: zoning approvals, firm debt and/or equity financing commitments, reports on construction progress, site control, and an update of cost for analysis.

The Project Development Schedule (**EXHIBIT J**) will be submitted on or before April 1, and September 1, of each year the project is under development.

#### **6. COMPLIANCE MONITORING**

Monitoring will be completed to ensure program compliance. Unresponsive non-compliance will be reported to the division administration, the Board, HUD, and the Attorney Generals Office.

#### **7. FEES**

None

## **8. FINANCIAL SUBSIDY REVIEW**

Reviews of “subsidy layering” are done on projects that directly or indirectly receive financial assistance from the U.S. Department of Housing and Urban Development (“HUD”) exclusive of HOME, CDBG, or HOPWA assistance, (the “Subsidy Layering Review”).

The Subsidy Layering Review will be conducted with HUD guidelines on financial assistance provided by the agency to the project and will include, without limitation, a review of the:

- Amount of equity contributed by the developer and owners.
- Project costs including developer fees.
- Contractor's profit and overhead.

The DCD may disclose information or provide a copy of the application to HUD for their review and comments and will take any other action deemed necessary to satisfy its obligations under the respective review requirements.

## **9. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS and others as determined by the staff in evaluating and tracking the progress of the project.

DCD complies with the provisions of GRAMA and Freedom of Information Acts.



**2004**

**Olene Walker  
Housing Loan Fund**

**Part IV**

**Single Family**

**OWNER OCCUPIED REHABILITATION AND REPLACEMENT  
AND WEATHERIZATION - RURAL DEVELOPMENT  
TABLE OF CONTENTS**

**ONE UNIT OWNER OCCUPIED REHABILITATION AND REPLACEMENT**

1. OWHLF Reservation Cycles
2. Project Selection Process
  - A. Introduction
  - B. Project Underwriting and Threshold Requirements
  - C. Documentation Review
  - D. Project Reasonableness
  - E. Calculation of OWHLF Amount
3. Contractor, Architect and General Requirements
  - A. Bids
  - B. Procurement
  - C. Estimates
4. Approval Of Funding
5. Project Status Reporting
6. Compliance Monitoring
7. Administration Fees
8. Financial Subsidy Review
9. Common Application and Sharing of Information with other Financial Sources

**REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT A, 3 Application

EXHIBIT O Pricing Policy and Loan Products and, Loan Terms

**Section B. WEATHERIZATION AND RURAL DEVELOPMENT**

1. Application
2. Project Selection Process
3. Contractor, and General Requirements
4. Approval Of Funding
5. Project Status Reporting
6. Compliance Monitoring
7. Administration Fees
8. Common Application and Sharing of Information with other Financial Resources

**REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT A, 3 Application

EXHIBIT P Weatherization and RD Pricing Policy

## **SECTION A: REHABILITATION AND REPLACEMENT**

### **SINGLE FAMILY: One Unit - Owner Occupied**

#### **1. OWHLF RESERVATION CYCLES**

Funds are made available through an application process for eligible homeowners through provider agencies for financial assistance through loans and grants. Reservation of funds is issued during a scheduled funding cycle.

Applicants applying for funds will submit a completed application (**EXHIBIT A, 3**), including all required support and supplementary documentation, to DCD on or before the dates indicated below, before 5:00 P.M. (Mountain Time). All completed applications received by the submission deadlines will be reviewed on a first come basis by staff and presented to the Single-Family Committee (SFC) within the cycle received.

<b>Submission Deadline</b>	<b>Award Notification</b>	<b>Submission Deadline</b>	<b>Award Notification</b>
January 20, 2004	March 17, 2004 Board Meeting	July 20, 2004	September 15, 2004 Board Meeting
February 17, 2004	March 17, 2004 Board Meeting	August 24, 2004	September 15, 2004 Board Meeting
March 23, 2004	April 28, 2004 Interim Meeting	September 21, 2004	October 27, 2004 Interim Meeting
April 20, 2004	June 16, 2004 Board Meeting	October 19, 2004	December 15, 2004 Board Meeting
May 18, 2004	June 16, 2004 Board Meeting	November 23, 2004	December 15, 2004 Board Meeting
June 22, 2004	July 28, 2004 Interim Meeting	December 21, 2004	TBD

A decision on each application will generally be made no later than the Award Notification Date for each cycle, however, the Board reserves the right to delay the decision to accommodate scheduling and processing.

If the Board should find it necessary to modify the deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

#### **2. PROJECT SELECTION PROCESS**

##### **A. Introduction**

The SFC will select applications for project compliance with the following:

- Project Underwriting and Threshold Requirements.
- Documentation Review.

- Project Reasonableness Review.
- Calculation of OWHLF Amount.

## **B. Project Underwriting and Threshold Requirements**

Financial feasibility threshold requirements that are critical to the affordability of the project will be reviewed.

Eligible property types can be a single-family property (one unit), a two-to-four-unit property, a condominium unit, a cooperative unit, or a unit in a mutual housing project (if recognized by law), and a manufactured home.

Projects requesting funds for acquisition and rehabilitation must expend a minimum of \$1000.00 per unit in direct rehabilitation costs.

**Property Standards:** Work must be done in accordance with adopted written rehabilitation standards, property standards, housing codes, and building codes. Manufactured housing must meet the Manufactured Home Construction and Safety Standards as established by 24 CFR Part 3280. Installation of manufactured housing must comply with applicable state, and local laws and codes.

Staff may visit the site and conduct an inspection of the property and may make a recommendation to the SFC indicating the appropriateness of the rehabilitation based on the existing condition of the property.

## **C. Documentation Review**

The Documentation File Checklist in the application parts 1 and 2, (**EXHIBIT A, 3**) is provided to assist agencies in properly documenting the application.

The SFC will not consider applications that are not sufficiently documented in the application, including the lack of other submittals and computations.

All rehabilitation/replacement projects are required to provide a comprehensive Housing Inspection, Work Description and Cost Estimate.

## **D. Project Reasonableness**

Within the single-family standards, the SFC will review documents submitted in connection with the OWHLF process.

SFC makes no representations to the owner or anyone else as to the financial viability of any project.

Agencies and their Board, will determine the feasibility and merits of the project.

## **E. Calculating the OWHLF Amount**

Evaluations will be made at three specific times to determine the amount of funding:

- Upon review of application.
- Upon approval of funding by the Board.
- Prior to loan closing.

Considerations will be made of the following:

- Sources of other funds, self-help equity, family donations.
- Debt structure and loan terms.
- Construction details and costs.

Prior to funding the applicant will make written certification to the full extent of all federal, state and local subsidies that apply to the project.

The staff reserves the right to require further efforts of verification of the expenses to comply with program requirements. **(EXHIBIT O)**

### **3. CONTRACTOR, ARCHITECTS AND GENERAL REQUIREMENTS**

a. Analyze and compare several bids to assess:

- Cost reasonableness, scope of work and completeness.
- The contractor has proposed a price for services that is consistent with market rates for labor, materials, overhead, and profit.

b. Review the procurement processes of the agency for selecting a contractor.

c. Review the agency cost estimates.

### **4. APPROVAL OF FUNDING**

After each application has been reviewed and the funding source has been determined, staff will present the projects to the SFC. The SFC may hear comments from the agency at the committee meetings to best inform the full Board on the project financial structure and general parameters.

Following the SFC meeting, the “Individual Project and Signature Form” with all contingent requirements by the SFC will be presented to the Board. The final motion will be recorded and the Board Chair and the agency will sign the Individual Project and Signature Form.

The Individual Project and Signature Form is the document that contains the terms in the “Loan Documents” to be prepared by the agency. No allowances or exceptions to the motion of the Board will be allowed. An approval letter specifying the terms will be sent to the agency.

An agency may request a change in the terms of the Board’s original motion by reapplying to DCD, with all updated applicable financial information.

The application and file will be transferred to Project Management for funding source, loan documentation, contracts, payment and closeout.

A construction contingency of 10 percent of hard costs of a project is to be added to individual contracts, and loan documents. Change orders must be approved with signatures of the homeowner, contractor, agency, and DCD staff. Change orders will include the description of the specific changes, justifications, and costs from the agency and contractor.

Documentation from the local agency will include but not limited to:

- Written summary of an on site review.
- Statement from the contractor of the need, justification and cost.
- Official Change Order Form signed by the homeowner, contractor and agency.

If contingency is not needed the amount will reduce the principal balance of the loan.

Change orders in excess of the 10 percent contingency will be referred to the SFC. The homeowner's debt structure and the ability of the increase of the loan will be reviewed. If the change order is increased the loan documents will be updated. The SFC will recommend change orders for approval or denial.

Loans will include escrows for payment of taxes and insurance when due.

## **5. PROJECT STATUS REPORTING**

A Project Development Schedule should be completed and delivered to the agency before the Proceed Order is signed.

All projects receiving funding approval will be required to provide status reports.

Information requested will be project specific and may include such items as reports on construction progress, owner financial status, or any other project criteria that has changed.

Projects that have not begun construction within one year of the date of approval for funding must submit to staff a summary of significant progress made to date and an explanation of why the project is not moving forward. The SFC has the authority to extend the period of funding or to rescind the approval and require the project to reapply under the current project conditions.

## **6. COMPLIANCE MONITORING**

Monitoring will be completed to ensure program compliance. Unresponsive non-compliance will be reported to the division administration, Board as necessary, HUD, and the Attorney Generals Office.

Monitoring to ensure program compliance will include:

- Consistency with consolidated plan.
- Program targeting and income verification.
- Property Information: property standards, type, location, value.
- Funding investment in housing unit, minimum and maximum subsidy.
- Eligible costs.
- Administrative requirements.
- Construction management and contractor selection.
- Legal documents.
- Loan processing and servicing.
- On site inspections.
- Program record keeping.
- Financial management.
- Federal requirements.
- Resale/recapture options.

- Written agreements, contracts, and amendments.

## **7. ADMINISTRATION FEES**

Certain agencies may use funds for project administration. They will have on site administrative supervision, state over-site, and monitoring. The agencies are:

- Public Housing Authorities.
- Counties, cities and towns.
- Associations of Governments.

The agencies will have business management and administrative experience and ability to operate the single-family rehabilitation/replacement program. They will have background and experience to perform housing rehabilitation/replacement construction and implementation. They will submit their evaluation criteria and develop a list of policies to address the following:

- Life/safety issues to occupants.
- Cost effectiveness.
- Agency recommendation for the project.
- Obligation to administer the program with a legal contract.
- Accounting of funds for compliance of federal and state funds.
- Compliance with federal and state program regulations and laws.
- Attendance at housing rehabilitation and replacement training programs, and technical assistance programs.
- How the program is advertised through newspapers, written communication to civic leaders/minority groups/community, published flyers, and neighborhood campaigning.

## **8. FINANCIAL SUBSIDY REVIEW**

Agencies will coordinate and leverage funding with housing and community development organizations, Weatherization and other agencies operating in the same area for the Single Family Rehabilitation and Replacement Program.

Staff shall conduct “subsidy layering” reviews for projects that directly or indirectly receive financial assistance from Weatherization, CDBG, or HOPWA and other assistance. These Subsidy Layering Reviews will be conducted in accordance with guidelines established by HUD with respect to the project costs.

DCD may provide a copy of the application to HUD for their review and comments and will take any other action deemed necessary to satisfy its obligations under the respective review requirements.

## **9. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS and others as determined by the staff in evaluating and tracking the progress of the project. DCD complies with the provisions of GRAMA and Freedom of Information Acts.

## **SECTION B: WEATHERIZATION – RURAL DEVELOPMENT**

### **SINGLE FAMILY: One Unit - Owner Occupied – Weatherization and Repair**

#### **1. APPLICATION**

Funds are made available through local Weatherization Agencies on an income eligible application basis. Eligible homeowners may obtain a grant for repairs as recommended by the Weatherization Program.

Individual projects will be selected on a first come basis.

#### **2. PROJECT SELECTION**

An inspection of the property will be conducted by the local agency Weatherization crew. An evaluation of the work will be assessed along with construction details and costs.

#### **3. CONTRACTOR AND GENERAL REQUIREMENTS**

Analysis of bids will be completed to assess cost reasonableness, scope of work, and prices for services consistent with market rates for labor, materials, overhead, and profit.

#### **4. APPROVAL OF FUNDING**

Approval will be in conjunction with Weatherization projects. (**EXHIBIT P**)

#### **5. PROJECT STATUS REPORTING**

Project information can be requested and may include such items as reports on construction progress, or any other project criteria that has changed.

#### **6. COMPLIANCE MONITORING**

Monitoring will be completed to ensure program compliance. Unresponsive non-compliance will be reported to the division administration, Board as necessary, HUD, and the Attorney Generals Office.

#### **7. ADMINISTRATION FEES**

Certain agencies may use funds for administration. They will have on site administrative supervision as well as state over-site and monitoring. The agencies are:

- Public Housing Authorities.
- Counties, cities and towns.
- Associations of Governments.

The agencies will have business management, administrative experience, and the ability to operate the Emergency Repair Program. Agencies will have background and experience to perform housing rehabilitation construction and implementation. Agencies will submit their evaluation criteria and develop a list of policies to address the following:

- Life/safety issues to occupants.
- Cost effectiveness.
- Obligate to administer the program with a legal contract.



- Provide accounting of funds for compliance of federal and state funds.
- Comply with federal and state program regulations and laws.
- Attend housing rehabilitation/replacement training programs, and technical assistance programs.
- Advertise program through newspapers, written communication to civic leaders/minority groups/community, published flyers, and neighborhood campaigning.

## **8. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS and others as determined by the staff in evaluating and tracking the progress of the project. DCD complies with the provisions of GRAMA and Freedom of Information Acts.

**State of Utah**

**2004**

**Olene Walker**

**Housing Loan Fund**

**Part V**

**Non-Rental Special Needs  
Housing**

**NON-RENTAL SPECIAL NEEDS HOUSING**

**TABLE OF CONTENTS**

Section

1. OWHLF Reservation Cycles

2. Project Selection Process
  - A. Introduction
  - B. Project Underwriting and Threshold Requirements
  - C. Documentation Requirements
  - D. Project Reasonableness
  - E. Calculation of the Loan Amount
3. Developer, Contractor and General Requirement Fee Limits
  - A. Developer Fee
  - B. Contractor Fee (Builder Fee)
  - C. General Requirements
4. Approval of Funding Request
5. Project Status Reporting
  - A. Project Development Schedule
6. Compliance Monitoring
7. Fees
8. Financial Subsidy Review
9. Sharing of Information with Other Financial Sources

**REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT A, 2	Application
EXHIBIT B	Safe Harbor Schedule
EXHIBIT E	Capital Needs Requirements
EXHIBIT F	Identity of Interest Certification
EXHIBIT G	Pricing Policy, Loan Products and, Loan Terms
EXHIBIT H	Final Cost Certification Instructions
EXHIBIT I	General Requirements
EXHIBIT J	Project Development Schedule
EXHIBIT K	Scoring Sheet
EXHIBIT N	Environmental Requirements

**Non-rental Special Needs Housing:** Shelters, group homes, and transitional housing that do not generate income.

**1. OWHLF RESERVATION CYCLES**

Funds are made available through an application process. Reservations of funds are issued during a scheduled funding cycle. The Board shall hold four cycles for approval of applications.

Applicants applying for funds must submit a completed application (**EXHIBIT A, 2**), including all required support and supplementary documentation, to DCD on or before the dates indicated below. All completed and on time applications will be competitively reviewed by staff who will present the application to the Multi-family Committee (MFC) within the cycle received. Applications must be submitted in the following cycles before 5:00 P.M. (Mountain Time) on the dates specified below:

No.	Reservation Cycle	Submission Deadline	Award Notification	Submit To
1	Competitive Projects, Including Tax Credits	January 6, 2004	March 17, 2004	DCD
2	Competitive Projects	April 6, 2004	June 16, 2004	DCD
3	Competitive Projects, Including Tax Credits	July 6, 2004	September 15, 2004	DCD
4	Competitive Projects	October 12, 2004	December 15, 2004	DCD

A decision on each application will generally be made no later than the Reservation Notification Date for each cycle, however, the Board reserves the right to delay the decision to accommodate scheduling and processing.

If the Board should find it necessary to modify the Reservation Cycle Submission Deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

## **2. PROJECT SELECTION PROCESS**

### **A. Introduction**

The MFC shall select applications for project compliance with the following process:

- Project Underwriting and Threshold Review (**see section 2.B**)
- Scoring and Documentation Review (**see section 2.C**)
- Market Study and Project Reasonableness Review (**see section 2.D**)
- Calculation of OWHLF Amount (**see section 2.E**)

### **B. Project Underwriting and Threshold Requirements**

Financial feasibility is critical to the long-term affordability of the project. The staff will review the application to determine if it meets minimum feasibility threshold requirements before scoring. The application must satisfy the following criteria:

- Application with supporting EXHIBITS must be complete, signed, and submitted in duplicate along with a digital copy in Microsoft Excel 5.0 –97 SR-2 formats.
- Only 2004 applications with write protection intact will be accepted.
- Project must commit to an extended use period of not less than 50 years.
- Project must provide evidence of site control. staff shall determine, at its sole discretion, the adequacy of the site control document (i.e. Real Estate Purchase Contract or equivalent).
- Current zoning must permit Multiple Residential use and be consistent with the proposed project. Projects located on property-zoned commercial must have obtained a conditional use permit consistent with the proposed project prior to application deadline.
- Project must demonstrate financial feasibility within the Board established Safe Harbors (**EXHIBIT B**).
- Projects requesting Funds for acquisition and rehabilitation must expend a minimum of \$5000.00 per unit, in direct rehabilitation costs or 10 percent of the depreciable basis of the building, whichever is greater. Staff is required to review the application and conduct a site visit and inspection of the property and may make recommendation to the MFC indicating the appropriateness of the rehabilitation amount per unit indicated by the developer based on the existing condition of the property. Staff may further require a Certified Needs Assessment to confirm the rehabilitation amounts indicated. A FIREA appraisal (within 6 months) is required to establish the eligible basis in the existing buildings due at the time of funding.
- MFC, at its sole discretion, shall determine if a project qualifies as substantial rehabilitation. Generally, substantial rehabilitation requires the replacement of two or more major systems and their components including roof, fenestration, electrical, plumbing, HVAC, etc..
- A comprehensive independent third party market study is required according to the procedures in Section D below.
- Letters of interest are required from financial sources for all projects. The letters of interest should stipulate the amount, loan terms and the lender's acceptable Debt Coverage Ratio floor. Letters of interest are also required for grants.

### **C. Documentation Requirements**

The application must include all documentation supporting claims made. Documentation required to meet threshold requirements must be provided or the application will not be considered for funding. The OWHLF Documentation Checklist on page one of the application (**EXHIBIT A, 2**) is provided to assist developers in properly documenting the Application. This page must accompany the application. No new documentation will be accepted after the application deadline.

Third party documentation is required relative to zoning, site control, environmental assessment, and property tax estimate.

All rehabilitation projects are required to provide a comprehensive Capital Needs Assessment, (**EXHIBIT E**), on the project as a threshold item. Projects are required to provide an independent third party verification of rents charged (before negotiations were entered into for the purchase of the project) in the form of actual checks, audited rent rolls etc., for at least two years, with a CPA review or other independent third party approved by staff as part of the application.

Special Needs Units - A letter from the developer is required with each application explaining the developer's intention regarding special needs units that is consistent with letters received from the service provider(s). Also, the developer must indicate what steps will be taken to inform the service provider of a vacancy and what steps the project will take to keep the special needs units continuously occupied by the intended tenant population.

Any project utilizing federal HOME funds will require an environmental review to be completed prior to funding (EXHIBIT N).

#### **D. Project Reasonableness**

With respect to development, and operating costs, staff will review the application. Projects must be developed and operated within multi-family standard operating Safe Harbor Guidelines (**EXHIBIT B**). Substantial deviations from standards should be accompanied by thorough and defensible explanations to prevent rejection of the application.

The Board is an allocator of federal and state resources. The comprehensive market study (the "Market Study") is to inform the developer of the need for affordable housing and the best configuration/design of a project. Interested parties, such as lenders and investors should determine for themselves the feasibility and merits of the project.

MFC review of documents submitted in connection with the OWHLF allocation process is for its own purposes. MFC makes no representations to the owner or anyone else as to the financial viability of any project.

#### **E. Calculation of Loan Amount**

The online application will automatically determine the overall score and subsidy limits based on the number of units, the bedroom size and AMI population being served (EXHIBIT K).

Projects are subject to further evaluation to determine the amount of funds that may be requested. The staff is required to make these determinations at three specific times:

- Upon review of application.
- Upon approval of funding by the Board.
- Prior to loan closing.

During each project evaluation, the staff will consider, among other factors, the following:

- Sources of funds including debt terms, grants, Tax Credit proceed amount and payment schedule.
- Development and construction costs.
- Operational costs.
- Project cash flow.
- Scoring sheet evaluation.

Prior to funding, the applicant must certify to the staff the full extent of all federal, state and local subsidies, which apply (or which applicant expects to apply) to the project.

The staff reserves the right to review and/or inspect any information provided by an applicant with respect to project costs or financing, and the applicant agrees to provide such information. Through the competitive system, projects with excessively high intermediary costs will run the risk of not receiving funding.

The staff will evaluate each proposed project's financial feasibility and viability by taking into consideration, without limitation:

- The proposed sources and uses of funds.
- The terms and conditions of the permanent financing package including debt, investor contributions, grants, etc..
- The Tax Credit purchase rate and net equity proceeds expected to be generated by their purchase.
- The reasonableness of the developmental and operational costs, including cash flow and debt coverage ratios of the project.

The staff will utilize the Safe Harbor Schedule set forth in **EXHIBIT B** in the process of evaluating feasibility and determining funding needs. Projects that propose fiscal scenarios outside the staff's established Safe Harbors must provide reasonable explanation for such proposals and evidence of acceptance of such proposals by the project's lender and investor. The staff reserves the right, at its sole discretion, to reject the proposed scenario and underwrite the project using the established Safe Harbors.

Based on this evaluation, the staff shall underwrite for purposes of feasibility and will determine the amount of funds and the loan terms it will recommend for each application based on the pricing policy, loan terms, and loan products (**EXHIBIT G**). A similar analysis will be completed at the approximate date of allocation of the funding amount.

### **3. DEVELOPER, CONTRACTOR AND GENERAL REQUIREMENT FEE LIMITS**

Fees related to the development of the project, including but not limited to:

- Developer over-head and profit.
- Contractor over-head, profit and general requirements.
- Development consulting fees.

All development fees must be reasonable with respect to the low-income housing objectives while sufficient to attract quality projects to the OWHLF. The Final Cost Certification (**EXHIBIT H**) of each project requires that the project owner's CPA complete an audit and evaluation of all fee and overhead contracts with related or unrelated parties. The project developer must make full disclosure and allow the CPA access to all developer contracts in connection with preparation of the Final Cost Certification.

Board has established the following fee limits for the purpose of determining:

- The maximum loan allocation permissible for a project (based on a project's eligible basis).
- The minimum loan allocation required for a project (based on a project's funding gap).

#### **A. Developer Fee**

For the purpose of this section, "Developer Fee" shall mean all developer over-head, and profit and consulting expenses incurred by the project whether provided by the developer or another party.

## **B. Contractor Fee (Builder Fee)**

"Contractor Fee" shall mean those expenses incurred by the project for construction trades administration, including: all contractor over-head, profit and wage expenses exclusive of such expenses allocable to General Requirements.

## **C. General Requirements**

"General Requirements" will be limited to those items and limits for eligible basis set forth in **EXHIBIT I**. In general, contractor fees, overhead and general requirements should be consistent with HUD guidelines as set forth in 4450.1 and Section 911 reviews (HUD Notice H 95-4).

The staff shall evaluate projects for compliance with fee limits using the "New Construction – Standard" or "Acquisition Rehabilitation Standard" convention as applicable unless the Contractor Fee and General Requirements are not independently certified as part of the Final Cost Certification. When the Contractor Fee and General Requirements are not independently certified, the staff shall use the respective "Alternate" convention requiring a competitively bid fixed sum contract and no identity of interest relationship. The staff reserves the right to require further efforts of verification of these expenses if, in its sole discretion, such effort is warranted to comply with the spirit and intent of the OWHLF. Applicants must complete the Identity of Interest Certification (**EXHIBIT F**) in the application to disclose all interested party relationships.

<b>CONVENTION/FEE</b>	<b>PROJECT SIZE</b>		
	<b>26 Units Or Greater</b>	<b>25 Units Or Less</b>	<b>Rural 25 Units Or Less</b>
<b>New Construction-Standard</b>			
Developer Fee	17% of DPB	20% of DPB	25% of DPB
Contractor Fee	Included in Developer Fee Limit	Included in Developer Fee Limit	Included in Developer Fee Limit
General Requirements	6% of Direct Construction	6% of Direct Construction	6% of Direct Construction
<b>New Construction-Alternate</b>			
Developer Fee	6% of DPB plus Contractor Fee	11% of DPB plus Contractor Fee	11% of DPB plus Contractor Fee
Contractor Fee & General Requirements	Reasonable (not certified)	Reasonable (not certified)	Reasonable (not certified)
<b>Acquisition &amp; Rehab-Standard</b>			
Developer Fee	17% of DPB plus 6% of AC	20% of DPB plus 8% of AC	25% of DPB plus 8% of AC
Contractor Fee	Included in Developer Fee limit	Included in Developer Fee limit	Included in Developer Fee limit
General Requirements	6% of Direct Construction	6% of Direct Construction	6% of Direct Construction
Acquisition Fee	6% of Building(s) Acquisition	6% of Building(s) Acquisition	6% of Building(s) Acquisition
<b>Acquisition &amp; Rehab-Alternate</b>			



Developer Fee	6% of (DPB+AC) + Contractor Fee	11% of (DPB+AC) + Contractor Fee	11% of (DPB+AC) + Contractor Fee
Contractor Fee & General Requirements	Reasonable (not certified)	Reasonable (not certified)	Reasonable (not certified)
Acquisition Fee	6% of Building(s) Acquisition	6% of Building(s) Acquisition	6% of Building(s) Acquisition

DPB = Developer Profit Basis = [Site Work + Rehab/New Construction + Contingency +A&E – Impact Fees]

AC = Acquisition Cost = [purchase price – land value – related party fees and commissions]

#### **4. APPROVAL OF FUNDING REQUEST**

After each application has been processed and the funding amount has been determined, staff will present projects to the MFC at its regularly scheduled meetings. The MFC shall hear comments from applicants at the committee meetings as required to best inform the full board on the project financial structure and general parameters.

A copy of the MFC recommendation, with all conditional requirements imposed by the MFC and staff shall become a permanent record in the applicant's file. This recommendation will then be presented to the Board at the regularly scheduled quarterly meetings. The Board will either approve or deny the application by a motion of the Board. A copy of the Individual Project and Signature Form shall be provided at the conclusion of the meeting and the Board Chair and the applicant will sign it at that time.

This document becomes the basis for the terms as outlined in the "Loan Documents" to be prepared by staff. No allowances or exceptions to the motion of the Board shall be allowed. An applicant may request a change in the terms as outlined in the original motion of the Board by reapplying to DCD, with all updated, applicable financial information included, in subsequent funding rounds.

#### **5. PROJECT STATUS REPORTING**

All projects receiving funding approval will be required to provide status reports in a frequency and format prescribed by the staff.

Information requested will be project specific and may include such items as: zoning approvals, firm debt and/or equity financing commitments, reports on construction progress, site control, and an update of cost for analysis.

Projects that have not begun construction within one year from the date of approval for funding must submit to staff a summary of significant progress made to date and an explanation of why the project is not moving forward. staff will present this information to the MFC. The MFC has the authority to extend the period of funding or to rescind the approval and require the project to reapply under the new project conditions.

##### **A. Project Development Schedule**

A Project Development Schedule (**EXHIBIT J**) must be completed and delivered to staff on or before April 1, and September 1, of each year the project is under development.

## **6. COMPLIANCE MONITORING**

The staff monitors projects for compliance. Staff will report non-compliance to the division administration, Board, HUD, and the Attorneys Generals Office.

## **7. FEES**

None

## **8. FINANCIAL SUBSIDY REVIEW**

Staff shall conduct "subsidy layering" reviews on projects that directly or indirectly receive financial assistance from the U.S. Department of Agriculture Rural Development Service, ("RD") or the U.S. Department of Housing and Urban Development ("HUD") exclusive of HOME, CDBG, or HOPWA assistance, (the "Subsidy Layering Review"). These Subsidy Layering Reviews shall be conducted in accordance with guidelines established by RD and HUD with respect to the review of any financial assistance provided by or through these agencies to the project and shall include, without limitation, a review of: (a) the amount of equity capital contributed to a project by investors; (b) the project costs including developer fees, and; (c) the contractor's profit, syndication costs and rates. In the course of conducting the review, the staff may disclose or provide a copy of the application to RD or HUD for their review and comments and shall take any other action deemed necessary to satisfy its obligations under the respective review requirements. DCD staff will accept a review completed by Utah Housing Corporation.

## **9. SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS, Utah Housing Corporation (UHC), investors and others as determined by the staff in evaluating and tracking the progress of the project.

The staff complies with the provisions of GRAMA and Freedom of Information Acts.

**State of Utah**

**2004**

**Olene Walker  
Housing Loan Fund**

**Part VI**

**Pre-Development**

# **PRE-DEVELOPMENT TABLE OF CONTENTS**

## **Section**

1. Objectives
2. OWHLF Reservation Cycles
3. Guidelines
4. Match Requirement
5. Funding Use

**REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT A, 5 Application

**Pre-Development:** Non-recourse loans for project development preceding permanent financing.

## **1. OBJECTIVES**

- a. Participate and promote the early finding of development projects in the under-served areas of the state.
- b. Provide pre-development loans for non-profit, for-profit, and CHDO developers for projects that meet the eligibility guidelines of the OWHLF Allocation Plan, are viable, and will be completed in two years.

## **2. OWHLF RESERVATION CYCLES**

Funds are made available through an application process. Reservation of funds is issued during a scheduled funding cycle. The Board shall hold four cycles for approval of applications.

Applicants applying for funds must submit a completed application (**EXHIBIT A, 5**), including all required supporting and supplementary documentation, to DCD on or before the dates indicated below. Staff will present the application to the committees within the cycle received and will competitively review all completed applications received by the submission deadlines. Applications must be submitted in the following cycles before 5:00 P.M. (Mountain Time) on the dates specified below:

<b>No.</b>	<b>Reservation Cycle</b>	<b>Submission Deadline</b>	<b>Award Notification</b>	<b>Submit To</b>
1	Competitive Projects, I	January 6, 2004	March 17, 2004	DCD
2	Competitive Projects	April 6, 2004	June 16, 2004	DCD
3	Competitive Projects,	July 6, 2004	September 15, 2004	DCD
4	Competitive Projects	October 12, 2004	December 15, 2004	DCD

A decision on each application will generally be made no later than the Reservation Notification Date for each cycle; however, the Board reserves the right to delay the decision to accommodate scheduling and processing.

If the Board should find it necessary to modify the Reservation Cycle Submission Deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

## **3. GUIDELINES**

- a. The maximum loan amount is \$20,000.00 per project for an 18-month term.
- b. A 15 percent set-aside is allocated for CHDO's at a 3 percent interest rate.
- c. A 50 percent set-aside is allocated for for-profit developers at a 4 percent interest rate.
- d. A 30 percent set-aside is allocated for non-profit developers at a 3 percent interest rate.
- f. All monies will go out as non-recourse loans, payable in full at close of construction.
- g. A borrower in default will be disqualified from being awarded a pre-development loan on another project until such time as the original loan is paid in full with all applicable interest.
- h. If borrower defaults on a pre-development loan and then applies for any loan funds on any project, the developer will be required To pay the pre-development loan with all applicable interest out of proceeds of the OWHLF term debt deducting it from their developer fee.
- f. The loan will have an 18-month term, with potential for extension. Written request for extension needs to be submitted to the committees.

#### **4. MATCH REQUIREMENT**

- a. The match requirement shall be two to one, with two being the loan fund contribution, one the match money.
- b. Match sources include: developers' resources, local funding, Federal Home Loan Bank Challenge Grants, or other sources reviewed and accepted by the committees.

#### **5. FUNDING USE**

- a. Land options or escrow accounts related to real estate transactions.
- b. Professional fees including legal, permitting, architectural, engineering, environmental studies, appraisal, and loan/grant application packaging.
- c. Salary, provided that the staff time funded by the award is used exclusively for the project being developed.
- d. Funds cannot be used for real property acquisition.
- e. Other uses as pre-approved by the Board and staff.

**State of Utah**

**2004**

**Olene Walker**

**Housing Loan Fund**

**Part VII**

**Owner Occupied**

**Development,**

**HomeChoice and**

**Down Payment Assistance**

**OWNER OCCUPIED DEVELOPMENT, HOMECHOICE,**

## **DOWN PAYMENT ASSISTANCE, AND SUCCESS MATCH TABLE OF CONTENTS**

### **Section A. OWNER OCCUPIED DEVELOPMENT**

1. OWHLF Reservation Cycles
2. Project Selection Process
  - A. Introduction
  - B. Threshold Requirements
  - C. Documentation Review
  - D. Project Reasonableness
  - E. Calculation of OWHLF Amount
3. Developer, Contractor, and General Requirement Fee Limits
  - A. Developer Fee
  - B. Contractor Fee (Builder Fee)
  - C. General Requirements
4. Approval of Funding Request
5. Project Status Reporting
6. Compliance Monitoring
7. Fees
8. Financial Subsidy Review
9. Common Application and Sharing of Information with Other Financial Sources

### **REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT A, 4	Application
EXHIBIT F	Identity of Interest Certification
EXHIBIT H	Final Cost Certification
EXHIBIT I	General Requirements
EXHIBIT J	Project Development Schedule
EXHIBIT N	Environmental Requirements
EXHIBIT Q	Pricing Policy and Loan Products

### **Section B. HOMECHOICE**

1. OWHLF Reservation Cycles
2. Project Selection Process
  - A. Introduction
  - B. Threshold Requirements
  - C. Documentation Review
  - D. Project Reasonableness
  - E. Calculating the OWHLF Amount
3. Approval of Funding
4. Project Status Reporting



5. Compliance Monitoring
6. Administration Fees
7. Financial Leveraging
8. Common Application and Sharing of Information with Other Financial Sources

**REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT R Pricing Policy and Loan Products

**Section C: DOWN PAYMENT ASSISTANCE**

1. OWHLF Reservation Cycles
2. Project Selection Process
  - A. Introduction
  - B. Calculation of OWHLF Amount
3. Project Status Reporting
4. Compliance Monitoring
5. Administration Fees
6. Financial Leveraging
7. Common Application and Sharing of Information with Other Financial Sources  
Application: Local Agency Application

**REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT S Pricing Policy and Loan Products

**Section D: SUCCESS MATCH**

1. OWHLF Reservation Cycles
2. Project Selection Process
  - A. Introduction
  - B. Threshold Requirements
  - C. Calculating of OWHLF Amount
3. Project Status Reporting
4. Compliance Monitoring
5. Administration Fees
6. Financial Subsidy and Leveraging
7. Common Application and Sharing of Information with other Financial Sources

**REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT T Pricing Policy and Loan Products

## **SECTION A: OWNER OCCUPIED DEVELOPMENT**

### **SINGLE FAMILY: One Unit – Housing Development**

#### **1. OWHLF RESERVATION CYCLES**

Funds are made available through an application process. Reservation of funds are issued during a scheduled funding cycle.

Applicants applying for funds must submit a completed application (**EXHIBIT A, 4**), including all required support and supplementary documentation, to DCD on or before the dates indicated below, before 5:00 P.M. (Mountain Time). All completed applications received by the submission deadlines will be reviewed and presented to the Single-Family Committee (SFC) within the cycle received.

<b>Submission Deadline</b>	<b>Award Notification</b>	<b>Submission Deadline</b>	<b>Award Notification</b>
January 20, 2004	March 17, 2004 Board Meeting	July 20, 2004	September 15, 2004 Board Meeting
February 17, 2004	March 17, 2004 Board Meeting	August 24, 2004	September 15, 2004 Board Meeting
March 23, 2004	April 28, 2004 Interim Meeting	September 21, 2004	October 27, 2004 Interim Meeting
April 20, 2004	June 16, 2004 Board Meeting	October 19, 2004	December 15, 2004 Board Meeting
May 18, 2004	June 16, 2004 Board Meeting	November 23, 2004	December 15, 2004 Board Meeting
June 22, 2004	July 28, 2004 Interim Meeting	December 21, 2004	TBD

A decision on each application will generally be made no later than the Award Notification Date for each cycle; however, the Board reserves the right to delay the decision to accommodate scheduling and processing.

If the Board should find it necessary to modify the deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

#### **2. PROJECT SELECTION PROCESS**

##### **A. Introduction**

The applications are selected for funding with the following:

- Threshold Review.
- Documentation Review.

- Project Reasonableness Review.
- Calculation of OWHLF Amount.

## **B. Threshold Requirements**

Financial feasibility is critical to the long-term affordability of the project. The DCD Housing staff will review the application to determine if it meets minimum feasibility threshold requirements. The application must satisfy the following criteria:

- Application with supporting EXHIBITS must be complete, signed, and submitted in triplicate along with a digital copy in Microsoft Excel 5.0 –97 SR-2 format.
- Only 2004 applications with write protection intact will be accepted.
- Project must provide evidence of site control. Staff shall determine, at its sole discretion, the adequacy of the site control document (i.e. Real Estate Purchase Contract or equivalent).
- Eligible Property Types can be single-family property (one unit), a two-to four-unit property, a condominium unit, a cooperative unit or a unit in a mutual housing project (if recognized by law) and a manufactured home.
- Property Standards: Work must be done in accordance with adopted written rehabilitation standards, property standards, housing codes and building codes. Manufactured housing must meet the Manufactured Home Construction and Safety Standards as established by 24 CFR Part 3280. Installation of manufactured housing must comply with applicable state and local laws and codes.
- Current zoning must permit Single Residential use.
- All applicants must complete the environmental site specific checklist, (**EXHIBIT N**) Sites having any potentially adverse environmental or habitat issues must complete a study if federal HOME funds are obtained.
- Letters of interest are required from financial sources for all projects. The letters of interest should stipulate the amount, loan terms and the lender's acceptable Debt Service Coverage Ratio floor. Letters of interest are also required for grants.

## **C. Documentation Review**

Applications will include all documentation supporting claims and to meet threshold requirements or the Application will not be considered by the SFC. No new documentation will be accepted after the application deadline.

Third party documentation is required on zoning, site control, environmental assessment, property tax estimate, etc.

## **D. Project Reasonableness**

Projects will be reviewed for reasonableness with respect to development and operating costs.

SFC review of documents submitted in connection with the OWHLF allocation process is for its own purposes. SFC makes no representations to the owner or anyone else as to the financial viability of any project.

## **E. Calculation of OWHLF Amount**

Projects are subject to further evaluation to determine the amount of funds that may be requested and are determined at three specific times:

- Upon review of application.
- Upon approval of funding by the board.
- Prior to loan closing.

Prior to funding the applicant will make written certification to the full extent of all federal, state and local subsidies that apply to the project.

The staff reserves the right to review and inspect any information provided by an applicant with respect to project costs or financing including the following:

- Sources of funds including debt terms, grants and payment schedule.
- The terms and conditions of the permanent financing package including debt, grants, etc..
- The reasonableness of the developmental and operational costs, including cash flow and debt coverage ratios of the project.

The evaluation will determine the amount of funds and the loan terms for each application based on the Pricing Policy and Loan Products (**EXHIBIT Q**).

## **3. DEVELOPER, CONTRACTOR, AND GENERAL REQUIREMENT FEE LIMITS**

Fees related to the development of the project, include but are not limited to:

- Developer over-head and profit.
- Contractor over-head, profit and general requirements.
- Development consulting fees.

All development fees must be reasonable with respect to the low-income housing objectives while sufficient to attract quality projects to the program.

The Final Cost Certification (**EXHIBIT H**) of each project requires that the project owner's CPA complete an audit and evaluation of all fee and overhead contracts with related or unrelated parties. The project developer must make full disclosure and allow the CPA access to all developer contracts in connection with preparation of the Final Cost Certification.

The Board has established the following fee limits for the purpose of determining:

- The maximum loan allocation permissible for a project based on a project's construction costs.
- The minimum loan allocation required for a project based on a project's funding gap.

### **A. Developer Fee**

For the purpose of this section, "Developer Fee" shall mean all developer over-head, and profit and consulting expenses incurred by the project whether provided by the developer or another party.

### **B. Contractor Fee (Builder Fee)**

"Contractor Fee" shall mean those expenses incurred by the project for construction trades administration, including: all contractor over-head, profit and wage expenses exclusive of such expenses allocable to General Requirements.

### **C. General Requirements**

"General Requirements" (**EXHIBIT I**) will be limited to those items and limits for eligible basis. In general, contractor fees, overhead and general requirements should be consistent with HUD guidelines as set forth in 4450.1 and Section 911 reviews (HUD Notice H 95-4).

The staff shall evaluate projects for compliance with fee limits using the "New Construction Standard" or "Acquisition Rehabilitation Standard" convention as applicable unless the contractor fee and general requirements are not independently certified as part of the final cost certification.

When the contractor fee and general requirements are not independently certified, the staff shall use the respective "Alternate" convention requiring a competitively bid fixed sum contract and no identity of interest relationship.

The staff reserves the right to require further efforts of verification of these expenses if, in its sole discretion, such effort is warranted to comply with the spirit and intent of the Olene Walker Housing OWHLF. Applicants must complete the "Identity of Interest" (**EXHIBIT F**) in the application to disclose all interested party relationships.

<b>CONVENTION/FEE</b>	<b>PROJECT SIZE</b>		
	<b>26 Units Or Greater</b>	<b>25 Units Or Less</b>	<b>Rural 25 Units Or Less</b>
<b>New Construction-Standard</b>			
Developer Fee	17% of DPB	20% of DPB	25% of DPB
Contractor Fee	Included in Developer Fee Limit	Included in Developer Fee Limit	Included in Developer Fee Limit
General Requirements	6% of Direct Construction	6% of Direct Construction	6% of Direct Construction
<b>New Construction-Alternate</b>			
Developer Fee	6% of DPB plus Contractor Fee	11% of DPB plus Contractor Fee	11% of DPB plus Contractor Fee
Contractor Fee & General Requirements	Reasonable (not certified)	Reasonable (not certified)	Reasonable (not certified)
<b>Acquisition &amp; Rehab-Standard</b>			
Developer Fee	17% of DPB plus 6% of AC	20% of DPB plus 8% of AC	25% of DPB plus 8% of AC
Contractor Fee	Included in Developer Fee limit	Included in Developer Fee limit	Included in Developer Fee limit
General Requirements	6% of Direct Construction	6% of Direct Construction	6% of Direct Construction

Acquisition Fee	6% of Building(s) Acquisition	6% of Building(s) Acquisition	6% of Building(s) Acquisition
<b>Acquisition &amp; Rehab-Alternate</b>			
Developer Fee	6% of (DPB+AC) + Contractor Fee	11% of (DPB+AC) + Contractor Fee	11% of (DPB+AC) + Contractor Fee
Contractor Fee & General Requirements	Reasonable (not certified)	Reasonable (not certified)	Reasonable (not certified)
Acquisition Fee	6% of Building(s) Acquisition	6% of Building(s) Acquisition	6% of Building(s) Acquisition

DPB = Developer Profit Basis = [Site Work + Rehab/New Construction + Contingency + A&E – Impact Fees]

AC = Acquisition Cost = [purchase price – land value – related party fees and commissions]

#### **4. APPROVAL OF FUNDING REQUEST**

After each application has been reviewed and the funding source has been determined, staff will present the projects to the SFC. The SFC may hear comments from the agency at the committee meetings to best inform the full Board on the project financial structure and general parameters.

Following the SFC meeting, the “Individual Project and Signature Form”, with all contingent requirements by the SFC will be presented to the Board. The final motion will be recorded and the board chair and the agency will sign Individual Project and Signature Form.

The Individual Project and Signature Form is the document contains the terms in the loan documents to be prepared by the agency. No allowances or exceptions to the motion of the Board will be allowed. An approval letter specifying the terms will be sent to the agency.

An applicant may request a change in the terms of the Board’s original motion by reapplying to DCD, with all updated applicable financial information.

The application/file will be transferred to Project Management for funding source, loan documentation, contracts, payment and closeout.

#### **5. PROJECT STATUS REPORTING**

All projects receiving funding approval will be required to provide status report.

Information requested will be project specific and may include such items as: zoning approvals, firm debt and/or equity financing commitments, reports on construction progress, site control, and an update of cost for analysis.

Projects that have not begun construction within one year from the date of approval for funding will submit a summary of significant progress made to date and an explanation of why the project is not moving forward. The SFC has the authority to extend the period of funding or to rescind the approval and require the project to reapply under the new project conditions.

A Project Development Schedule (**EXHIBIT J**) must be completed and delivered to staff on or before April 1, and September 1, of each year the project is under development.

## **6. COMPLIANCE MONITORING**

Monitoring will be completed to ensure program compliance. Unresponsive non-compliance will be reported to the division administration, Board as necessary, HUD, and the Attorney Generals Office.

## **7. FEES**

None

## **8. FINANCIAL SUBSIDY REVIEW**

Reviews on “subsidy layering” are done on projects that directly or indirectly receive financial assistance from the U.S. Department of Agriculture Rural Development Service ("RD") or the U.S. Department of Housing and Urban Development ("HUD") exclusive of HOME, CDBG, or HOPWA assistance, (the “Subsidy Layering Review”).

These Subsidy Layering Reviews shall be conducted in accordance with guidelines established by RD and HUD with respect to the review of any financial assistance provided by or through these agencies to the project and shall include, without limitation, a review of the:

- Amount of equity contributed by the developer and owners.
- Project costs including developer fees.
- Contractor's profit and overhead.

DCD may disclose information or provide a copy of the application to RD or HUD for their review and comments and will take any other action deemed necessary to satisfy its obligations under the respective review requirements.

## **9. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS and others as determined by the staff in evaluating and tracking the progress of the project.

DCD complies with the provisions of GRAMA and Freedom of Information Acts.

## **SECTION B: HomeChoice**

### **SINGLE FAMILY: One Unit - Owner Occupied – Mortgage Loan**

#### **1. OWHLF RESERVATION CYCLES**

Funds are made available through an application process for eligible homeowners through provider agencies for financial assistance through loans and grants

Applicants applying for funds will submit a completed application from their approved lender, including all required support and supplementary documentation.

Neighborhood Non-Profit Housing Corporation (NNHC) will administer the HomeChoice Program. Projects will be underwritten following the Fannie Mae Guidelines. Projects will be brought before the Board for ratification.

The Board authorizes a first quarter allocation of \$150,000.00 to provide second mortgage financing for not more than four homes. The Board will evaluate additional allocations each quarter.

#### **2. PROJECT SELECTION PROCESS**

##### **A. Introduction**

Applications will be reviewed for compliance with the following:

- Threshold Requirements.
- Documentation Review.
- Project Reasonableness Review.
- Calculation of OWHLF Amount.

##### **B. Threshold Requirements**

Financial feasibility threshold requirements that are critical to the affordability of the project will be reviewed.

- Homebuyer Education – all borrowers will participate in the program that meets the standards of the Fannie 97sm Mortgage product.
- Early Delinquency Counseling – borrowers must sign an agreement to participate in delinquency counseling in the event of default
- Verification of Income – lenders will verify the borrower's income for two full years and verify any special resources of income have a remaining term of at least three years from the date of the mortgage application

Staff may visit the site and conduct an inspection of the property and may make a recommendation to the SFC indicating the appropriateness of the rehabilitation based on the existing condition of the property.

Property Standards: Work must be done in accordance with adopted written rehabilitation standards, property standards, housing codes and building codes. Manufactured housing must meet the Manufactured Home Construction and Safety Standards as established by 24 CFR Part 3280. Installation of manufactured housing must comply with applicable state and local laws and codes.



Eligible Property Types can be single-family property (one unit), a two-to four-unit property, a condominium unit, a cooperative unit or a unit in a mutual housing project (if recognized by law) and a manufactured home.

#### **C. Documentation Review**

The Documentation File Checklist in the Application is provided to assist agencies in properly documenting the Application.

The SFC will not consider applications not sufficiently documented in the application, including the lack of other submittals and computations.

#### **D. Project Reasonableness**

Within the Fannie Mae Requirements, the SFC will review of documents submitted in connection with the OWHLF process.

SFC makes no representations to the owner or anyone else as to the financial viability of any project.

Fannie Mae and approved lenders will determine the feasibility and merits of the project.

#### **E. Calculating the OWHLF Amount**

Evaluations will be made at three specific times to determine the amount of funding:

- Upon review of application.
- Upon approval of funding by the Board.
- Prior to loan closing.

Considerations will be made of the following:

- Sources of other funds, self-help equity, family donations.
- Debt structure and loan terms.
- Construction details and costs.

Prior to funding the projects, the agency will make written certification to the staff the full extent of all federal, state and local subsidies.

The staff reserves the right to require further efforts of verification of the expenses to comply with program requirements. **(EXHIBIT R)**

### **3. APPROVAL OF FUNDING**

The HomeChoice Committee will approve eligible applications for funding.

### **4. PROJECT STATUS REPORTING**

The program will be required to provide progress status reports to the Board.

Information requested will be project specific and may include such items as reports on application process, owner financial status, or other project criteria that has changed.

### **5. COMPLIANCE MONITORING**

Monitoring will be completed to ensure program compliance. Unresponsive non-compliance will be reported to the division administration, Board as necessary, HUD, and the Attorney Generals Office.

Monitoring to ensure program compliance will include:

- Consistency with consolidated plan.
- Program targeting and income verification.
- Property information: type, location, and value.
- Funding investment in housing unit.
- Eligible costs.
- Administration.
- Legal documents.
- Loan processing and servicing.
- On site inspections.
- Program record keeping.
- Financial management.
- Federal requirements.
- Resale and recapture options.
- Written agreements, contracts, and amendments.

## **6. ADMINISTRATION FEES**

Administration funds for the lead agency are authorized by the Board. Administration funds are also provided for other local agencies assisting with the HomeChoice Program.

## **7. FINANCIAL LEVERAGING**

Agencies will coordinate and leverage funding with Fannie Mae and other approved lenders.

## **8. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS and others as determined by the staff in evaluating and tracking the progress of the project. DCD complies with the provisions of GRAMA and Freedom of Information Acts.

## **SECTION C: Down Payment Assistance**

### **SINGLE FAMILY: One Unit - Owner Occupied – Financial Assistance**

#### **1. OWHLF RESERVATION CYCLES**

Applicants applying for down payment loan funds will submit an application to the provider agency, including all required supporting, and supplementary documentation. Applications will be reviewed on a first come basis.

#### **2. PROJECT SELECTION PROCESS**

##### **A. Introduction:**

The agency will not consider incomplete applications. Agencies will determine the feasibility and merits of the project.

##### **B. Calculating the OWHLF Amount (EXHIBIT S)**

Evaluations will be made at three specific times to determine the amount of funding:

- Upon review of application.
- Prior to loan closing.
- Debt structure and loan terms.

#### **3. PROJECT STATUS REPORTING**

The agency will make periodic reports to the SFC.

#### **4. COMPLIANCE MONITORING**

Monitoring will be completed to ensure program compliance. Unresponsive non-compliance will be reported to the division administration, Board as necessary, HUD, and the Attorney Generals Office.

Monitoring to ensure program compliance will include:

- Consistency with consolidated plan.
- Program targeting and income verification.
- Administrative requirements.
- Legal documents.
- Loan processing and servicing.
- Program record keeping.
- Financial management.
- Federal requirements.
- Resale and recapture options.

## **5. ADMINISTRATION FEES**

Certain agencies may use funds for administration. They will have on site administrative supervision as well as state over-site and monitoring. The agencies are:

- Public Housing Authorities.
- Counties, cities and towns.
- Associations of Governments.
- Non-Profit Organizations.
- Indian Tribes.

The agencies will have business management, administrative experience, and the ability to operate the program. They will submit their evaluation criteria and develop a list of policies to address the following:

- Cost effectiveness.
- Agency recommendation for the project.
- Administer the program with a legal contract.
- Provide accounting of funds for compliance with federal and state funds.
- Compliance with federal and state program regulations and laws.
- Advertise the program through media, and written communication.

## **6. FINANCIAL LEVERAGING**

Agencies will coordinate and leverage funding with private and public housing, and community development organizations operating in the same area.

## **7. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS and others as determined by the staff in evaluating and tracking the progress of the project. DCD complies with the provisions of GRAMA and Freedom of Information Acts.

## **SECTION D: Success Match**

### **SINGLE FAMILY: One Unit - Owner Occupied – Financial Assistance**

#### **1. OWHLF RESERVATION CYCLES**

Matching loan funds are available to qualified Success clients through housing authorities for homeownership down payment assistance.

#### **2. PROJECT SELECTION PROCESS**

##### **A. Introduction**

The OWHLF will not consider incomplete documentation. The staff reserves the right to require further verification to comply with program requirements.

##### **B. Threshold Requirements**

Applicants applying for funds will submit the following proof of qualification including all required supporting and supplementary documentation:

- SUCCESS certification of completion.
- Copy of the mortgage application.
- Income verifications.
- HUD statement from the lender or title company.

##### **C. Calculating the OWHLF Amount**

The OWHLF will provide an equal match up to \$10,000.00 used for down payment assistance. (**EXHIBIT T**)

#### **3. PROJECT STATUS REPORTING**

Each participating housing authority will make periodic reports to the OWHLF staff on client status.

#### **4. COMPLIANCE MONITORING**

Monitoring will be completed to ensure program compliance. Unresponsive non-compliance will be reported to the division administration, Board as necessary, HUD, and the Attorney Generals Office.

Monitoring to ensure program compliance will include:

- Consistency with consolidated plan.
- Program targeting and income verification.
- Administrative requirements.
- Legal documents.
- Loan processing and servicing.

- Program record keeping.
- Financial management.

**5. ADMINISTRATION FEES**

None

**6. FINANCIAL SUBSIDY AND LEVERAGING**

OWHLF will coordinate and leverage funding with private lenders and public housing authorities.

**7. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS and others as determined by the staff in evaluating and tracking the progress of the project. DCD complies with the provisions of GRAMA and Freedom of Information Acts.